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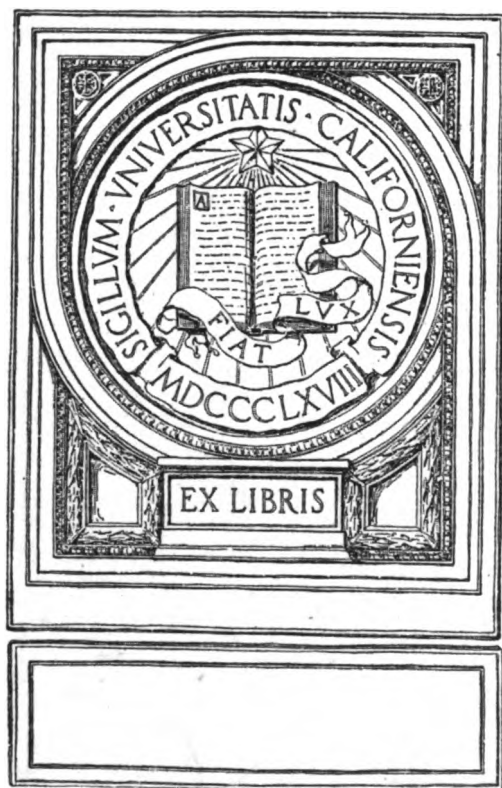
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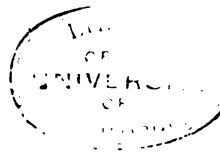
# THEORY

— OF —

# BOOKKEEPING

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By  
O. M. POWERS



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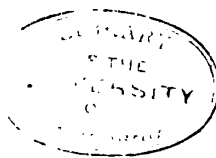


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## INTRODUCTORY

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**Bookkeeping** is the science of accounts and the systematic method of keeping business records.

The system of bookkeeping now in use throughout the Western world originated with the Venetians about the close of the fifteenth century, and was an outgrowth of the extensive commerce carried on by Venice, Florence, and other Italian cities at that time.

**Single Entry** is a method of bookkeeping in which a record is kept of accounts with persons only.

The customers are charged with purchases or credited with payments, but no record is kept of the merchandise or other property which enters into the transaction. This method is open to the objection that the record is incomplete. Single entry is little used except in very small concerns.

**Double Entry**, as its name implies, is a method of keeping accounts in which every debit has a corresponding credit.

Under this method the commodities or things which enter into the business are debited and credited the same as persons, thus furnishing a record of the cash, goods or other property belonging to the business. Since every debit must have a credit of equal amount, the books should always be in balance, and this equilibrium of debit and credit is a test of their correctness.

**Debtor and Creditor.** A debtor is one who owes a debt. A creditor is one to whom a debt is owing.

These two classes of persons embrace all with whom any house sustains business relations. They are diametrically opposite in character. The one has cost the business something and the other has produced or furnished the business something. One of these classes we will charge; the other we will credit.

**Debit** signifies to charge, and hence we debit all persons who owe us, or all things which have cost us something.

Thus we debit a customer for the goods sold him. We debit all things received, because they cost us their equivalent in whatever we gave for them.

**Credit** signifies to trust, or give credit for, and hence we credit all persons whom we owe, or all things which have produced us something.

For example, we credit one who pays us. We credit all things sold or disposed of, because such things have produced us a value in that which we received for them.

**Original Entry.** An original entry is the first record made of a transaction. Any book in which first entries are made is called a Book of Original Entry.

Only original entry books are admissible as evidence in courts of law. Books of Subsequent Entry are those to which entries are transferred.

**Item.** An item is a distinct part of a transaction, either a debit or a credit.

An item may consist of cash or any other property. It may consist of an obligation owing to us, or by us to another. It is the unit of bookkeeping.

**A Principal Book** is one which contains an integral part of the chain of record, or which cannot be dispensed with.

The Journal and Ledger are principal books.

**An Auxiliary Book** is one which is explanatory of some other book, or is not absolutely essential to the complete record.

A memorandum book, or time book is an auxiliary book.

## LESSON I

### DOUBLE ENTRY JOURNALIZING

The Journal is a book in which is recorded the debits and credits of each transaction in proper form, together with a full explanation of such debits and credits, or a history of the transaction as it occurred.

The journal is usually a book of original entry and whenever it is, the history of the transaction must be made with each entry, either preceding or following the debits and credits. In some cases the journal is used only as a book of debits and credits, the history being contained in another book called a Day Book, or on sheets of paper, called "Order Blanks," "Sales Sheets," etc.

**Journalizing** consists in making a proper entry in the journal.

Every correct journal entry must balance,—the total of the debit items must equal the total of the credit items.

From the explanation of debit and credit previously given, we deduce the following:

#### GENERAL RULE

1. Debit what you receive, or what costs value.
2. Credit what you dispose of, or what produces value.

This is a universal and all-important rule in bookkeeping and should be thoroughly memorized.

#### EXAMPLES

Jan. 2, 191.. Sold John Davis for cash, 10 bu. apples @\$2.00, \$20.00

191..

#### FORM OF JOURNAL

Jan.	2	Cash (Dr. Item)		20 (Dr. Col.)		20 (Cr. Col.)
			Mdse. (Cr. Item)			
			Sold to John Davis apples @ \$2.			
		for cash 10 bu. (Explanation or History.)				

By inspection of the above we see that this journal entry consists of four parts. First, the date, being the year, month and day; Second, the

debit item, being that which was **received** or **cost** value, (in this instance, cash) together with its amount in the Dr. column; **Third**, the credit item, or that which was disposed of, or produced value, (in this example merchandise), with its corresponding amount in the Cr. column; and **Fourth**, the history or explanation of the transaction written beneath.

### TO THE STUDENT

First write the date, then read the transaction carefully and ask yourself the question, "What did I receive?" or "What has cost value?," and write such items as debits; then "What did I dispose of?" or "What produced value?" and write such items as credits.

Unless otherwise directed by the teacher, you may omit the history of the transaction for the present, in order to save time, and facilitate learning the principles.

Cultivate a neat, plain and business-like style of writing and figures.

Leave a blank line between entries and three blank lines at the bottom of each page.

### JOURNAL TERMS

**Merchandise, Mdse.**, is a term applied to goods and wares dealt in by the concern as a business.

**Cash** is a term which includes money of every kind, such as coin, currency, checks, money orders, etc.

**Real Estate** includes houses and lands.

**Fixtures** includes shelving, counters, show cases, office safe, etc.

**Stocks and Bonds.** These are certificates of stock or obligations issued by corporations and are entered under the names which they bear; as, Central Telephone Stock, Citizens Bank Stock, S. P. Railroad Bonds.

191..

Jan. 3. Bought of Henry Anderson for cash 10 brls. flour @ \$5, \$50.

Mdse. is debtor, because we received it, and Cash is credit because we disposed of it. (*See form, page 7.*)

" 4. Sold William Dawson for cash, 20 brls. Greening apples @ \$3, \$60.

Cash is debtor, because we received it, and Mdse. is credit because we disposed of it. (*See form, page 7*)

" 5. Bought of Geo. P Fowler & Co., for cash, 2 brls. gasoline 50 gal. each @ 11c, \$11; 5 cans polarine, 5 gal. each @ 40c, \$10. Total \$21.

Mdse. is debtor because we received it. Enter the total as one amount. Cash is credit.

191-					
Jan 3	Mdsc.	Cash	50		50
" 4	Cash.	Mdsc.	60		60
" 5	Mdsc.	Cash	21		21
" 6	Real Estate	Cash	3000		3000
" 8	Cash	Mdsc.	182 50		182 50
" 9	Fixtures	Cash	75		75

" 6. Bought of Samuel Davidson for cash, our store building and lot, \$3000.

Real Estate is debtor.

" 8. Sold Amos Pettibone for cash 50 boxes Florida oranges @ \$2.85 \$142.50; 10 boxes grape fruit @ \$4, \$40. Total \$182.50.

" 9. Bought of Diebold Safe and Lock Co., for cash, a safe for our office, \$75.

Debit fixtures.

" 10. Sold J. C. Watson for cash, 50 bu. Early Rose potatoes @ 60c, \$30; 10 cases eggs 12 doz. each @ 25c, \$15; 32 gal. cider vinegar @ 18c, \$5.76. Total \$50.76.

191..

- Jan. 11. Bought of S. P. Brewster & Co., 10 shares Citizen's Bank Stock @ \$100, \$1000. Paid cash for same.  
Citizen's Bank Stock is debtor.
- " 12. Bought of Union Show Case Co., for cash, a new 8 ft. show case for our store \$18.50.
- " 13. Sold A. M. Duncan, 4 brls. lump rock salt @ \$3, \$12. Received in payment 30 bu. oats @ 40c, \$12.
- " 15. Sold to Charles L. Henderson, 5 shares Citizens Bank Stock @ \$110, \$550. Received in payment cash.
- " 16. Sold William C. Wood for cash, 2 brls. flour @ \$5.50, \$11.
- " 17. Bought of Thomas & Smith for cash, 50 bu. seed corn @ \$1.00, \$50; 200 lbs. lawn grass seed at 6c, \$12. Total \$62.
- " 19. Sold to Henry Wilson, 5 shares Citizen's Bank Stock at \$120, \$600. Received in payment 3 lots in Ardmore @ \$200, \$600.
- " 20. Bought of Sprague, Warner & Co., for cash, 5 bales Rio coffee 100 lbs. each @ 22c \$110; 10 drums Remo brand coffee 60 lbs. each @ 14c, \$84. Total \$194.
- " 22. Bought of Lawrence Nelson for cash, 20 shares Central Telephone Stock @ \$85, \$1700.
- " 23. Sold to Coyne Brothers for cash, 5 cases eggs, 12 doz. each, @ 28c, \$14.80; 10 boxes ginger snaps, 40 lbs. each @ 8c, \$32. Total \$46.80.
- " 25. Bought of Frank W. Wright & Co., 8 shares Southern Pacific Railroad Stock @ \$94.50, \$756.00. Gave in payment 10 shares Central Telephone Stock @ \$75.60. Total \$756.00
- " 27. Sold to John Davis, 20 bu. seed corn @ \$1.25, \$25; 10 bu. oats at 50c, \$5; 4 brls. lump rock salt @ 4, \$16. Total \$46. Received in payment cash \$46.
- " 31. John Davis has returned the 4 brls. lump rock salt which we sold to him on the 27th, same not being satisfactory, and we have refunded him the amount which he paid, in cash \$16.00  
This is the same as buying the goods back from him.

**To the Student.** After journalizing the above transactions submit your paper to the teacher for inspection. If correct, you may copy it into your journal. Use care and neatness in your writing and figures. Rule a red line between the entries.

## LESSON II

## PERSONAL ACCOUNTS

**Personal Accounts** are those opened with persons, firms or corporations.

**On Account.** When a purchase or sale is made **on account** or on credit, we must **credit** or **debit** the person's name. Likewise a payment received or given **on account**, requires us to enter the item as a **debit** or **credit** under the name of the person.

## FORM OF BILL

CHICAGO, Jan. 18, 191\_\_

Mr. J. C. ColemanBought of **WELLS, BROWN & CO.**

Terms: 30 days

4	lbs Ocean Pearl Laundry Soap	3 <sup>50</sup>	14		
6	" Higleys Mineral Scouring Soap	3 <sup>60</sup>	21	60	
2	cases Eyles Pearline	2 <sup>85</sup>	5	70	141 30

A **Bill** is a written statement of goods sold or services rendered, (See form above), showing the quantity and price of the articles sold with the total, terms of sale, etc.

**Invoice** is almost synonymous with bill but is a term used chiefly when goods are bought in considerable quantities.



**Receipt.** A receipt is a written acknowledgment of a payment. It may be a distinct and formal writing or only the words "Received Payment" with the date and sellers name written upon the bottom of the bill. In this manner a bill is said to be "received." Receipts should always be preserved.

## FORM OF RECEIPT

Chicago June 18th 190-

Received of Samuel Ashton

Twenty-five Dollars

to apply on account

\$25.00

Student

**Rule II.** When you owe a person, or a person pays you on account, credit that person.

**Rule III.** When a person owes you, or you pay a person on account, debit that person.

191..

Feb. 1. Bought of Henry Duncan, 20 brls. Minnesota flour @ \$5, \$100, for which I owe him.

Henry Duncan is credited,

" 2. Sold A. L. Warner a bill of goods amounting to \$200 for which he owes me.

A. L. Warner is debited.

" 3. Bought of Herman Davidson, Mdse. on account as per bill, \$500.

" 5. Sold Haskell Bros. on account, due in 30 days, 50 brls. apples @ \$3, \$150.

" 5. Paid Henry Duncan on account, \$75 in cash.

" 6. Received of A. L. Warner, cash on account \$150.

" 7. Sold C. W. Russell for cash, 200 crates pineapples @ \$2.75, \$550; boxes 60 Florida oranges \$4, \$240. Total \$790.

- Feb. 8. Bought for cash of Chicago Pure Food Co., 25 cans peanut butter @ 60c, \$15.
- " 8. Paid Herman Davidson on account, cash \$250.
- " 9. A. L. Warner has paid me the balance which he owes, \$50, in cash.
- " 10. Bought of C. S. Hammond & Co. on account, a pair of counter scales for the store \$16.
- " 11. Sold William W. Barnard a bill of Mdse. amounting to \$318 to be paid for in 30 days.
- " 13. Sold to Chas. E. Mason 100 brls. flour @ \$4.80, \$480; 60 cases eggs, 12 doz. each @ 30c, \$216. Total \$696. Received in payment 8 shares Union Bank Stock @ \$87, \$696.
- " 13. Paid Herman Davidson cash, balance due him \$250.
- " 14. Sold Watson & Newell a bill of goods amounting to \$800 to be paid for in 10 days.
- " 15. Paid C. S. Hammond & Co. cash \$16 for the counter scales bought of them on the 10th.
- " 16. Bought of Geo. Provine on 60 days credit, 30 brls. cider @ \$7, \$210; 150 brls. Greening apples @ \$2.40, \$360. Total \$570.
- " 17. Received of Austin Parker, cash in settlement of our bill sold him last month \$126.40.
- " 17. Watson & Newell have returned a part of the goods sold them on the 14th, amounting to \$86, for which we give them credit.  
Debit Mdse.
- " 20. Borrowed cash of A. M. Jones \$500, to be repaid in two days.
- " 21. Paid A. C. Baldwin cash for the balance which we owe him, amounting to \$380.
- " 23. Received of William W. Barnard on account, cash \$218.
- " 26. Sold A. M. Bullard 50 shares Chicago Telephone Stock @ \$110, \$5500. Received in full payment, house and lot at No. 237 Greenwood Ave.
- " 27. John Hunter has this day paid us the amount of his account in cash, \$63.25.
- " 28. Loaned M. L. Walker, cash \$75 as a favor, temporarily.

## LESSON III

## PROMISSORY NOTES

**A Promissory Note** is a written promise to pay a certain sum of money to a person named therein, at a specified time.

Promissory notes are a species of "Commercial Paper," and are a great convenience in business, as they are transferred from one person to another the same as other kinds of property.

**The Maker of a note** is the person who signs it.

**The Payee** is the person to whom the note is payable.

A note is said to be "in favor" of the payee, or person named therein.

**An Endorser** is one who signs his name on the back of the note.

Any writing upon the back of commercial paper, (usually a name) is called an indorsement.

**The Face of a note** is the sum named in the note.

The amount of a note is the face plus any interest that may be due on the note.

**The Maturity of a note** is the day it falls due.

When the due date falls on Sunday or a legal holiday, the note matures on the following day.

## FORM OF PROMISSORY NOTE

Chicago, Mar 15, 1911 No. 304  
 Thirty days after date I promise to pay to  
 the order of J. L. Hanscom & Co. \$400.00  
 Four Hundred ——— Dollars  
 Payable at my office  
 Value received, with interest at the rate of six per cent per annum.  
 Due 4/14/12  
 Geo. E. Davis

**Bills Receivable**, is a term applied to all notes and written promises which we hold against other persons. **Bills Payable**, applies to all notes, etc., which we will have to pay when due.

**Rule IV. When you receive another person's note, you should Dr. Bills Receivable; and when you dispose of that note, Cr. Bills Receivable.**

191..

Mar. 1. Sold Robert Gardner 100 brls. apples @ \$2.75, \$275. Received in payment his note.

Dr. Bills Rec.

" 2. Bought of C. J. Miller for cash, 250 gal. gasoline @ 11c, \$27.50.

" 3. Sold to Henry Anderson for cash, Robert Gardner's note re-received on the first instant, \$275.

" 5. Sold to James H. Hainline on account, 200 brls. XX flour @ \$4.50, \$900.

" 7. Received of J. P. Shaw his note at 60 days to apply on account, \$300.

" 7. Sold to Willis Benson 200 bu. potatoes @ 80c, \$160; 5 bu. clover seed @ \$18, \$90. Total \$250. Received in payment his note.

" 8. Bought of A. W. Dudley 80 bu. oats @ 60c, \$48; 100 bu. rye @ 80c, \$80. Total \$128. Gave in payment A. W. McBride's note \$128.

**Rule V. When you issue your note, you should Cr. Bills Payable; and when you pay or redeem your note, Dr. Bills Payable.**

" 8. Bought of A. W. Winslow 100 yds. broadcloth at \$6, \$600. Gave in payment my note.

" 9. Borrowed cash of Louis Swanson \$200. Gave in payment my note due in 30 days.

" 10. Received of J. P. Shaw cash in payment of his note, \$300.

" 12. Sold William C. Russell 20 brls. sugar @ \$9, 180; 10 boxes Graham crackers \$2, \$20. Total \$200. Received in payment his note, due in 30 days.

" 12. Sold to First National Bank, Willis Benson's note, \$250, for which I have received the cash.

" 14. Bought on 30 days credit, of H. W. Hinman Mdse. per bill, \$300.

" 15. Bought of Wilson & Brown, 2 shares I. C. Railroad Stock @ \$100, \$200. Gave in payment William C. Russell's note.

" 15. Paid Union Bank, cash for my note given to C. A. Reed \$230, now due.

191..

- Mar. 16. Borrowed cash of Daniel E. Fiske \$500 on my note, due in 90 days, bearing 6% interest.
- “ 17. Sold W. L. Kellogg on account, due in 30 days, 60 bu. oats, @ 40c, \$24; 20 bu. clover seed @ \$20, \$400; 30 bu. rye @ 85c, \$25.50. Total \$449.50.
- “ 17. Received of H. W. Hinman cash to apply on account, \$150.
- “ 19. Paid Merchant's National Bank cash for my note, in favor of A. W. Winslow, given on Mar. 8, \$600.
- “ 22. Sold David Foss, 30 sacks G. sugar 275 lbs. each @ 3c, \$247.50. Received in payment Daniel Haskin's note in David Foss' favor, and endorsed by Foss, \$247.50.
- “ 23. As an accommodation to Andrew C. Allen, I have given him my note due in 30 days bearing six per cent. interest for \$400, in exchange for his note due in like amount, time and rate.
- “ 25. Sold to Frank G. Wright, 2 shares Illinois Central Railroad Stock at \$110, \$220. Received in payment 100 brls. Greening apples at \$2.20, \$220.
- “ 27. Received of W. L. Kellogg to apply on account, my note given to A. C. Allen on the 23rd inst., which he has endorsed over to Kellogg, \$400.
- “ 28. Redeemed my note for \$600 given to Amos Pettibone by paying him for same in cash, \$600.
- “ 30. Bought of A. G. Haskins 100 brls. XXX flour @ \$5, \$500. Gave in payment W. G. Clark's note, due in sixty days my favor, \$500.
- “ 31. Leroy Hamilton owes me \$400 and is unable to pay. He offers me his note due in 30 days bearing 6% interest, which I accept.
- “ 31. Redeemed my note for \$100 favor J. C. Lewis by delivering to him 50 bu. potatoes @ 60c, \$30; 80 bu. oats @ 40c, \$32; 20 boxes Graham crackers @ \$1.90, \$38. Total \$100.

Write the promissory note mentioned in the transaction of March 16th, similar to the form given.

Present your work to the teacher for approval. When correct, copy in your journal.

## LESSON IV

## SUNDRY ITEMS

**An Item in bookkeeping, is a distinct and separate part of an entry.**

**Sundries is a term meaning several items.**

It was formerly a custom, where an entry contained several debits or several credits, to head such entry with the word **Sundries**. (Sunds.) The use of the word is now being discarded by good bookkeepers, and will be omitted here.

**Rule VI. When there are several debits or several credits in a transaction, write first the debit items in the debit position, then the credit items in the credit position, using a separate line for each item.**

191..

Apr. 2. Sold Chas. G. Hunter, 5 shares Bank Stock @ \$100, \$500.  
Received in payment, cash \$250; his note at 30 days for \$250.

191..

Apr.	2	Cash	250		
		Bills Rec.	250		
		Bank Stock			500
"	3.	Received of John Smith on account, cash \$50; 10 brls. flour @ \$4.50, \$45; his note at 30 days \$105. Total \$200.			
"	4.	Bought of A. N. Davidson, 20 brls. sugar @ \$12, \$240; 5 shares Peoples Gas Stock @ \$100, \$500. Gave in payment my note at 60 days, \$740.			
"	5.	Bought of Carroll Whitaker, a bill of merchandise amounting to \$320. Gave in payment, 20 brls. flour @ \$5, \$100; cash \$100, 1 share Peoples Gas Stock \$120. Total \$320.			
"	6.	Bought of Edgar A. Snow, 4 lots in Edgewater @ \$1250, \$5000. Gave in payment, cash \$2000; my notes at one, two and three years for \$1000 each.			

Debit Edgewater Lots. Enter the notes separately.

191..

Apr. 7. Paid John R. Dobbins on account, cash \$180; my note due in 30 days \$120. Total \$300.

191..

Apr.	7	John R. Dobbins	300		
		Cash		180	
		Bills Pay.		120	

" 9. Received cash from Thomas Kennedy for his note now due \$100; also to apply on his account \$50. Total \$150.

" 10. Sold Erwin & Welch 5 shares City Bank Stock, @ \$100, \$500; 10 shares Edison Light Stock @ \$90, \$900. Total \$1400. Received in payment, cash \$1000, balance on account.

191..

Apr.	10	Cash	1000		
		Erwin & Welch	400		
		City Bank Stock		500	
		Edison Light Stock		900	

" 11. Bought of David McDonald, for cash, 300 bu. Belle Flower apples @ \$1.50, \$450.

" 13. Sold John C. Hamilton 50 brls. N. O. Molasses @ \$8, \$400. Received in payment, cash \$200; his note at 30 days \$100, balance on account.

" 16. Bought of Peter Elston property adjoining our store known as No. 364 Broadway, for \$8000; store fixtures \$500; goods on the shelves \$1500. Total \$10000. Gave in payment, cash \$5000; 2 lots in Edgewater @ \$1500, \$3000; 10 Chicago City Bonds @ \$100, \$1000; my note at 6 mos. for balance \$1000.

" 17. Received cash of Erwin & Welch on account \$400.

191..

- Apr. 17. Paid T. W. Miller on account, John C. Hamilton's note received on the 13th inst., \$100.
- “ 18. Paid my note in favor Loring Provine now due, amounting to \$600, by giving him cash \$200; J. L. Bailey's note \$200; my note at 30 days \$200.
- “ 19. Bought of Henry Alston on account, 30 bags Rio coffee 80 lbs. each @ 18c, \$432.
- “ 19. Received of Geo. F. Douglas on account, cash \$200; his note at one month with six per cent. interest, \$150. Total \$350.
- “ 20. Paid cash to Wilson & Hayward on account, \$135.
- “ 24. Sold Parker & Dunning 50 brls. C sugar @ \$12, \$600. Received in payment cash \$300; their note at 60 days for \$300.
- “ 25. Borrowed cash of First National Bank on my note at 90 days, \$1000.
- “ 26. Sold A. J. Allison 2 lots in Edgewater @ \$1500, \$3000; 10 shares City Bank Stock @ \$100, \$1000. Total \$4000. Received in payment cash \$2000; Walter C. Nelson's note, Allison's favor, and by him endorsed, \$1000; A. J. Allison's own note due in one month \$1000.
- “ 28. Paid cash to Thomas Hamer on account, \$140.
- “ 29. Paid C. L. Newton on account, cash \$60; my note due in 30 days, \$140. Total \$200.
- “ 30. Sold to Geo. E. Davis, 2 shares People's Gas Stock @ \$110, \$220; 50 brls. XX flour @ \$6, \$300. Total \$520. Received in payment, cash \$220; my note, Davis' favor \$200; his note for balance, \$100.
- “ 30. Bought of Desmond & Co., 100 brls. N. Y. salt @ \$1.60, \$160. Gave in payment, cash \$100, balance on account.
- “ 30. Gave Thomas Hamer in full of account, my note due in 30 days, \$68.40.



## LESSON V

## DRAFTS AND BILLS OF EXCHANGE

A **Draft** is a written order drawn by one person, upon another, requesting that person to pay to a third, a specified sum of money.

A **Bill of Exchange** is similar to a draft. The name is commonly applied to drafts drawn on persons residing in a foreign country, and to avoid loss in forwarding, they are usually issued in duplicate.

The **Drawer** of a draft is the person who signs it.

The **Drawee** is the person drawn on, or who is requested to pay.

The **Payee** is the person to whom payment is to be made.

Instead of collecting the draft himself the payee may endorse it, by writing his name across the back, and then transfer it to some other person who would be authorized to present and collect. One to whom commercial paper is endorsed in this way is called an endorsee.

To **Honor a Draft** is to pay it, or signify in writing your willingness to pay it when it is presented.

A draft is said to be "dishonored" when payment is refused. The holder may then return the draft to the person from whom he received it.

## FORM OF DRAFT

Chicago, June 3<sup>rd</sup> 1900 - No 187

At sight Pay to the order of

John Burroughs

Three Hundred Dollars \$300.00

With Exchange

Value received and charge to account of

To A. B. Brown

Boston, Mass.

J. M. Henderson

The **Face** of a draft is the sum for which it is drawn.

**Rule VII. When you draw a draft or order on a person, credit that person.**

191..

- May 1.** Bought of C. E. Mason, a bill of merchandise amounting to \$85. Gave in payment my draft on G. W. Long.
- “ 2. Sold Enos Barton for cash, my draft on T. G. Baker \$100.
- “ 4. Bought of Sprague, Warner & Co., 6 half-chests Japan tea, 75 lbs. each @ 26c, \$117. Gave in payment my draft on Fuller & Fuller.
- “ 5. Sold for cash to John Russell, 60 cases eggs 12 doz. each @ 18c, \$129.60.
- “ 6. Bought of E. C. Wood on account, 150 bu. potatoes @ 60c, \$90.
- “ 6. Sold to W. G. Ender, my draft on J. C. Kennedy for \$300. Received in payment J. E. Cornell's note for \$200; cash for balance \$100.
- “ 7. Bought of J. C. Craft, 10 shares Continental Bank Stock @ \$243, \$2430. Gave in payment cash \$1430; my order on E. B. Hanson for \$1000.
- “ 8. Sold to F. C. Bell for cash, my draft on W. L. Hanson \$350.
- “ 9. Paid my note, favor A. G. Bonsall now due, amounting to \$300, by giving him an order on H. C. Olin for \$200, cash for balance \$100.

**Rule VIII. When a person draws a bill of exchange or draft on you, which you honor, debit that person.**

- “ 11. Paid cash cash for Louis Brandt's order on me, \$100.
- “ 11. Sold David Cameron 30 brls. Minnesota flour @ \$5.50, \$165. Received in payment Frank Jones' order on me, drawn in favor of Cameron.
- “ 13. Sold to William Foster 500 bu. yellow corn @ 60c, \$300; 150 bu. spring wheat @ 80c, \$120. Total \$420. Received in payment J. H. Weston's order on me for \$250; William Foster's note at 30 days, \$150; cash for balance.
- “ 15. Bought of Dwight Jackson 50 boxes California oranges @ \$3, \$150; 100 boxes grapes \$2, 200. Total \$350. Gave in payment cash \$200; my draft on Henry Wilkins \$150,
- “ 18. Received of A. W. Dudley on account his note, \$200; cash \$100. Total \$300.

191..

- May 18. Paid cash for James Berry's draft on me, favor R. C. Woodworth, \$50.
- " 19. Received of Allen & Co. on account, William Drake's draft on me, Allen & Co's favor, \$100.
- " 20. Sold W. M. Bosworth on account, 10 brls. Minnesota flour @ \$5.25, \$52.50; 5 half-chests Japan tea, 75 lbs. each @ 30c, \$112.50; 20 boxes California oranges @ \$2.80, \$56. Total \$221.
- " 22. Bought on my note at 60 days, of Adam Douglas 500 bu. No. 1. corn @ 60c, \$300.
- " 24. Paid E. C. Randall on account, my draft on Hamilton, Wilson & Co., \$250.
- " 24. Received of C. J. Mitchell on account, cash \$50; his note at 30 days \$100. Total \$150.
- " 25. Sold William D. Barr 6 Chicago City Bonds @ \$104.50, \$627. Received in payment cash \$500; his note at 30 days for balance.
- " 26. I owe Donald Goodspeed \$800. He has drawn at sight on me for that amount, favor First National Bank, and I have this day paid cash to the bank for same.
- " 27. Received cash of Henry Spencer for my draft on J. D. Williams, \$140.
- " 29. Sold to J. L. Thomas 40 cases eggs, 12 doz. each @ 20c, \$96; 50 bu. potatoes @ 60c, \$30. Total \$126. Received in payment A. C. Becken's order on me, favor J. L. Thomas for \$75. Balance on account, \$51.

## LESSON VI

## DRAFTS AND BILLS OF EXCHANGE (Continued)

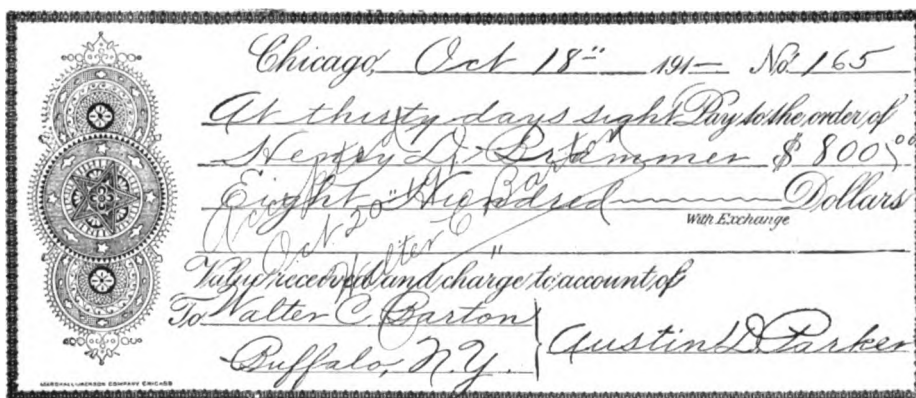
**A Sight Draft** is one which is payable at sight, or on presentation.

**A Time Draft** is one which is payable a specified time "after date" or "after sight."

**Acceptance.** When a time draft is presented to the drawee, if he is willing to pay it at maturity, he signifies that fact by writing the word "accepted" together with the date and his signature across the face of the draft. Thereafter the paper is called an "Acceptance."

An acceptance is the same as the acceptor's promissory note. The acceptance should be written in red ink.

## AN ACCEPTANCE



**Rule IX.** Whenever you accept a draft or bill of exchange, credit Bills Payable, and when you pay your acceptance, debit Bills Payable.

191..

June 1. Accepted James Duncan's draft on me due at 8 days sight for \$400, favor A. E. Banning.

" 2. Bought of Pettibone & Co., on my acceptance, a bill of goods amounting to \$129.50.

191..

- June 3. Sold to R. S. Peale 50 brls. St. Louis flour @ \$5.60, \$280. Received in payment cash \$180; balance on account.
- “ 5. Bought of Brown & Gorham 30 brls. white fish @ \$6, 180; 20 pails mackerel @ \$2, \$40. Total \$220. Gave in payment cash \$100; order on Simon Wilson for \$120.
- “ 6. Accepted John Parker's draft on me at 10 days sight, favor Henry Armstrong for \$245.
- “ 8. Paid cash for my acceptance given A. E. Banning on the first Instant, \$400.
- “ 9. Sold A. W. Perkins 25 brls. W. W. flour @ \$4, \$100; 80 bu. oats @ 20c, \$16; 27 bu. corn @ 50c, \$13.50. Total \$129.50. Received in payment my acceptance given to Pettibone & Co. on the 2nd inst.
- “ 10. Sold Henry S. Kirk on his note, my sight draft on F. W. Jennings for \$325.40.

**Rule X.** Whenever you receive or purchase a draft or order drawn on another person, debit Bills Receivable, and when you dispose of it, credit Bills Receivable.

- “ 12. Bought of A. J. Cole for cash, his draft on R. H. Warner for \$300.
- “ 13. Bought of J. A. Stephens his draft at sight, on A. M. Root for \$250. Gave in payment cash \$150; my note at 30 days \$100.
- “ 15. Sold S. R. Wells 8 shares C. B. & Q. railroad stock @ \$100, \$800. Received in payment, cash \$500; D. A. Nesbits' draft at 10 days sight on Chas. Monroe and by him accepted for \$300.
- “ 17. Bought of C. A. Warren, 600 bu. yellow corn at 50c \$300. Gave in payment the draft we received of A. J. Cole on the 12th inst. \$300.
- “ 19. Received cash of A. M. Root for J. A. Stephens' draft on him at sight, \$250.
- “ 20. Received of D. R. Forgan on account, the draft which I accepted drawn by John Parker, in favor of Henry Armstrong, \$245.
- “ 22. I owe H. W. Dixon \$200 on account. In payment I have given him my draft at 5 days sight on Arthur W. Burdick, \$200.

191..

- June 24. Sold Henry Nelson on his 30 days acceptance, 200 bu. yellow corn @ 40c, \$80.
- “ 25. Sold to F. W. Coleman on account, my draft at sight on E. C. Winters, \$100.
- “ 26. Received of Henry Anderson on account, his note \$240; cash \$60. Total \$300.
- “ 27. Sold to H. C. Skinner 200 bu. yellow corn @ 60c, \$120; 250 bu. spring wheat @ 80c, \$200. Total \$320. Received in payment F. C. Duncan's order on me, \$200; a note signed by Wells Bros. and endorsed by F. C. Duncan due in 60 days for \$120.
- “ 27. Sold H. P. Carroll, 5 shares Union Bank Stock @ \$110, \$550; 4 shares Commonwealth Edison Stock @ \$112½, \$450. Total \$1000. Received in payment cash \$600; G. W. Thompson's draft on me at sight, \$400.
- “ 28. Bought of Meyer & Co., 200 brls. E. R. potatoes @ \$3.40, \$680. Gave in payment cash \$500, balance on account.
- “ 29. Paid Thomas Kennedy on account, cash \$125.
- “ 29. Sold J. C. Goven 5 shares I. C. Railroad Stock @ \$105, \$525. Received in payment his note due in 30 days, bearing 6 per cent. interest, \$525.
- “ 30. Bought of Davis & Son, 100 brls. St. Louis flour @ \$4, \$400; 20 brls. G. sugar, \$12, \$240. 2 shares People's Gas Stock @ \$100, \$200. Total \$840. Gave in payment my draft at sight on C. V. Chandler, \$200; cash \$200; Henry Nelson's acceptance \$80; accepted their draft on me at 30 days sight, favor J. Reed for balance, \$360.
- “ 30. Bought on my acceptance at 30 days, 4 shares Automatic Telephone Stock @ \$100, \$400.

## LESSON VII

## INTEREST

**Interest** is that which represents the use of money.

When we say we paid interest on our note, we mean that we paid cash for the interest.

**Rule XI.** Debit interest when it costs you, and credit it when it produces you value.

191..

July 1. Paid cash to J. Jones for interest on my note, \$8.40.

Debit Interest.

- " 2. Received cash from William Jennings for interest on his note, \$18.
- " 3. Sold A. F. Stacy on his note, 260 bu. corn @ 60c, \$156, said note to bear interest at 6% and fall due in 30 days.
- " 4. Paid Edgar A. Snow & Co. cash for my note due today. Face of note \$1000, interest to date \$30, Total \$1030.
- " 6. Paid cash to J. Wilson for interest on my note \$10.20.
- " 7. Paid cash to Union Bank for my note due, \$300, and interest thereon \$7.50. Total \$307.50.
- " 8. Bought of C. D. Hamlin a bill of merchandise amounting to \$425. Gave in payment, Hiram Russell's note, \$400; interest accrued on the note, \$25. Total \$425.  
Note.—Accrued interest is that which has been earned, but is not yet due.
- " 9. Collected in cash the interest due on the note which I hold against David Howell, \$32.65.
- " 10. Received cash from A. S. Gordon as a part payment on his note and interest now due: to apply on note \$250; interest \$8.30. Total \$258.30.
- " 10. The note which I gave to Wallace Harris amounting to \$500 is now due, with interest, \$5. I have paid for same with a new note at 60 days for \$505.

191..

- July 13. Paid cash for interest on my note, due today, amounting to \$18.30.
- “ 14. Received of A. L. Fisher on account, his note at 30 days for \$300, cash \$200.
- “ 14. Sold B. M. Wilson 10 brls. flour @ \$6, \$60; 5 brls. sugar @ \$15, \$75; 8 pockets Monsoon brand rice @ \$6, \$48. Total \$183. Received in payment his draft on James H. Walker for \$183.
- “ 16. Sold Warren Leland for cash, Henry Ellis' note for \$300, interest accrued on same \$4. Total \$304.
- “ 17. Paid cash for my acceptance, favor Daniel E. Porter \$235.
- “ 18. I have drawn at sight on George C. Hanson for \$320, in favor of J. P. Shaw, and delivered the draft to Shaw on account.
- “ 19. Bought of C. W. Hamilton 5 shares C. B. & Q. Railroad Stock @ \$108, \$540; 10 shares Commonwealth Edison Stock @ \$110, \$1100. Total \$1640. Gave in payment cash, \$1000; my draft on William C. Lawson \$500; my note for balance, \$140.
- “ 20. Paid my note favor C. A. Wilson \$800 and interest thereon \$12, by giving James Berry's note \$400; interest accrued thereon \$4; my note for balance, \$408.
- “ 21. Sold E. C. Reed 500 bu. winter wheat @ 80c, \$400. Received in payment my note in favor of Henry Otis, endorsed by E. C. Reed, \$400.
- “ 21. Received cash of A. D. Foster in payment of his note and interest thereon to date. Face of note \$250, interest at 6%, \$1.25. Total \$251.25.
- “ 22. Sold Samuel Winslow on account, 200 bu. spring wheat @ 85c, \$170.
- “ 23. Brady & Co. have drawn on me at 30 days sight, favor J. C. Kingsbury, and I have accepted the draft, \$600.
- “ 24. Accepted Arthur Coultas' draft on me at 5 days sight, \$80.
- “ 25. Received cash from E. B. Jennings for interest on his note, \$38.60.
- “ 27. Paid my note favor Brown & Hathway and interest thereon. Face of note \$350, interest \$3.50. Gave in payment cash \$200; new note at 30 days for balance, \$153.50.



## LESSON VIII

## SHIPMENTS OR CONSIGNMENTS

**A Commission Merchant** is an agent who sells goods for another, charging a percentage on the sale for his compensation.

The object of shipping goods away on consignment, may be to take advantage of better market conditions in the other locality, or find a wider market for the goods. Live stock, grain, fruit and most kinds of produce are sold by commission merchants, or on consignment.

**A Shipment or Consignment** is an invoice of goods sent to a commission merchant for sale for account of the shipper.

"For account of the shipper" means for his profit or benefit, or at his risk or loss. The property still belongs to the shipper.

**Consignor.** The shipper is called the consignor.

**Consignee.** The consignee is the person to whom the goods are shipped.

**Advances.** The commission merchant will advance a reasonable proportion of the value of the consignment in money to the shipper, pending the sale of the consignment.

These advances are usually made by the consignor drawing a draft on the consignee for the advance agreed upon.

**Bill of Lading.** This is in the nature of a receipt issued by the railroad or other transportation company, for goods shipped.

In the case of drafts drawn for advances against shipments, the Bills of Lading usually are attached to the drafts.

**Net Proceeds,** is the balance left after deducting the agent's commission and other expenses from the total sale.

The shipper does not usually prepay the freight on the shipment but allows the commission merchant to pay it upon receipt of the shipment, this to be deducted along with other expenses and charges in the final settlement.

**Account Sales.** An account sale is a statement rendered to the shipper by the commission merchant, showing amount of sale, charges and expenses deducted, and the net proceeds.

When the shipment is sold, the commission merchant may remit cash to the consignor for the net proceeds—less advances if any, along with the account sales, or he may place the net proceeds to the consignor's credit, to be paid at some future time.

## FORM OF ACCOUNT SALES

No. 187  
ACCOUNT SALES BY

CHICAGO,

July 9<sup>th</sup> 191-**WILSON BROS.**

122 S. WATER STREET

For Acc't and Risk of

*A. S. Mitchell,*

Car No.

*3687**Lawton,*

Received

*7/5**Mitch*

8	cases Strawberries	5	1 00	5
		3	90	2 70
10	bushes Blackberries	1		1 60
		1		1 50
		8	1 30	10 40
CHARGES: Freight			1 60	21 20
Cartage			90	
Storage				
Insurance				
Commission			2 12	4 62
E. & O. E. Net Proceeds				16 58

Rule XII. When you ship away goods for sale on your account and risk, make Shipment to the Person and Place Dr.

Rule XIII. When you receive an Account Sales, credit Shipment to the Person and Place, for the amount of the net proceeds and if the commission merchant does not remit the net proceeds, Dr. him.

191..

Aug. 1. Shipped to C. A. Watson & Co., Chicago, for sale on my account, 200 brls. apples @ \$2, \$400.  
Shipment C. A. Watson & Co., Chicago., Dr.

191..

- Aug. 3. Shipped by C. M. & St. Paul Ry. to F. F. Bosworth & Co., Milwaukee, for sale on my account, 130 sacks potatoes @ \$1.50, \$195.
- " 4. Shipped to Ledward, Bibby & Co., Liverpool, 1400 bags sugar each 320 lbs. @ 2½c, \$11200, to be sold for my account and risk.
- " 6. Received cash of First National Bank for my draft on Ledward Bibby & Co., with bill of lading attached, \$6000.
- " 7. Received of C. A. Watson & Co., Chicago, an account sales of my consignment of apples, showing net proceeds \$513.20, which amount they have placed to my credit.
- " 9. Bought on account of Carroll & Saunders 1000 bu. W. W. wheat @ 72½c, \$725.
- " 10. Shipped to A. M. Stockwell & Co., Buffalo, N. Y., the 1000 bu. wheat purchased of Carroll & Saunders, to be sold on my account, \$800.
- " 11. Received of F. F. Bosworth & Co., Milwaukee, an account sales of my consignment of potatoes, together with a check for the net proceeds, amounting to \$269.40.
- " 14. Paid Carroll & Saunders on account, my draft at 10 days sight on A. M. Stockwell & Co., Buffalo, for \$500; cash for balance, \$225.
- " 14. Shipped to J. C. Welling & Co., Chicago, 2000 bu. yellow corn @ 50c, \$1000, to be sold for my account and risk. Prepaid freight in cash to Chicago \$45; also paid cash \$12 for \$750 policy in the Traders' Insurance Co., covering this shipment. Total \$1057.
- " 18. Shipped by C. M. & S. P. Ry. to F. F. Bosworth & Co., Milwaukee, for sale on my account, 500 sacks potatoes @ \$1.55, \$775. Cartage paid in cash \$25. Total \$800.
- " 20. Bought of A. M. Hootman, 200 baskets peaches @ 40c, \$80; 50 crates Nutmeg melons @ \$1.25, \$62.50; 200 brls. Greening apples @ \$1.35, \$270. Total \$412.50. Gave in payment my note at 30 days for \$200; balance on account.
- " 26. Received from A. M. Stockwell & Co., Buffalo, N. Y., an account sales of my shipment of 1000 bu. wheat showing net proceeds amounting to \$768.40, which they owe me on account.

191..

- “ 27. I am advised that owing to a strike on the C. M. & St. Paul Ry. my shipment of potatoes consigned to F. F. Bosworth & Co., Milwaukee, reached there badly damaged and practically worthless. I have wired Bosworth & Co. to refuse to receive the shipment. I will charge the railroad company with the value of the shipment, \$800 and endeavor to collect from it.
- “ 29. My shipment to J. C. Welling & Co., Chicago, has been destroyed by fire in transit, and I have charged same to Trader's Insurance Co., to the extent of the policy \$750.
- 

## LESSON IX

## DISCOUNT AND EXCHANGE

**Discount** is a sum deducted from the face value of commercial paper as a compensation for its payment or transfer.

Discount is a “species” of interest, since it is based upon the use of the money for the time until it will be due.

**Exchange** is a charge usually made by banks for collecting checks and drafts on banks or persons in other cities.

This does not refer to the “rate of exchange” between countries, whereby foreign drafts sometimes sell above or below par. This “Foreign Exchange” usually relates to transactions between banks only, and will not interest the student at this point.

**Rule XIV.** When you pay less for a draft or note, than its face, Cr. Discount. When you receive less for a draft or note than its face, Dr. Discount.

**Rule XV.** When you pay a fee for collecting checks or drafts or remitting money, Dr. Exchange. When you receive such a fee, Cr. Exchange.

191..

- Sept. 1. Discounted at the bank Henry C. Allen's note for \$500. Discount \$5, received cash \$495.

191..

- Sept. 2. Paid my note favor J. M. Brown before due. Face of note \$320, discount allowed \$1.80. Paid cash \$318.20.
- " 3. Received of J. M. Pile, Omaha, Neb., his personal check on an Omaha bank in settlement of his account, \$186.
- " 4. In depositing J. M. Pile's check the bank charged me \$1 exchange, which I have paid.  
As a matter of right Pile should pay this exchange, but as he is a good customer and a prompt payer, I will charge it to exchange.
- " 6. The bank has this day collected my draft of \$560 against Marion Davenport, of Duluth, exchange \$1.40, net proceeds received in cash, \$558.60
- " 7. Deposited in bank today, various checks on out-of-town banks, on which the bank charges me exchange (which I have paid) \$1.15.
- " 10. Drew on J. W. Webster at 10 days sight for the balance due me, \$480, and discounted the draft at Traders' Bank. Discount 80c; cash received \$479.20.
- " 10. Cashed a check for a friend, on an out-of-town bank, on which he paid me 25c exchange.
- " 15. Exchanged notes with A. C. Becken for our mutual accommodation, each drawn at 30 days for \$900.
- " 16. Discounted at Merchants Bank, A. C. Becken's note for \$900. Discount \$4.50. Cash received \$895.50.
- " 17. Paid W. M. Hoyt & Co. cash for my note before maturity. Face of note \$650, discount allowed \$8.40, cash paid \$641.60.
- " 18. Accepted F. C. Wilson's draft on me at 30 days sight for \$265.
- " 20. The bank has collected my draft of \$120 against Henry C. Moore, Indianapolis. Exchange 50c. Received cash \$119.50.
- " 21. Bought of J. E. Hamilton for cash, a note made by Louis Sulzman in Hamilton's favor, and by him endorsed. Face of note \$600, discount allowed \$10, cash paid \$590.
- " 24. Paid S. M. Manning on account, cash \$135.
- " 28. Sold to Geo. A. Wilmot 40 sacks sugar @ \$6.25, \$250. Received in payment their draft at sight on Fuller & Co., Milwaukee, \$100, balance on account.
- " 31. The bank has collected the draft on Fuller & Co., Milwaukee, \$100, deducting exchange 50c. Received cash \$99.50.

## LESSON X

## EXPENSE AND PROFIT AND LOSS

**Expense** is a term applied to all expenditures for carrying on the business, such as rent, fuel, clerk hire, repairs, etc.

**Profit and Loss.** Under this title we include all direct or immediate gains or losses to the business, such as goods stolen or destroyed by fire.

**Rule XVI.** Debit expense when it costs you and credit it when it produces you.

**Rule XVII.** Debit Profit and Loss for all immediate losses and credit it for all immediate gains.

If an article which has been charged to Expense or Profit and Loss is afterwards sold, that account should then be credited for the amount of the sale.

191..

- Oct. 1. Bought for cash, 5 tons of coal for store @ \$7.50, \$37.50.
- “ 3. Paid John Nelson, clerk, for his services past month, \$60 in cash.
- “ 5. Bought of Jackson & Co. a new set of books for the business, for cash \$38.75.
- “ 6. Paid cash for postage stamps, \$3.
- “ 8. James W. Austin, who owes me a bill of \$19.50, has failed and this amount is considered a total loss.
- “ 9. Paid cash for rent of store for current month, \$125.
- “ 10. Paid Peoples' Gas Co. cash for gas bill for past month, \$9.30.
- “ 12. We find that in the course of business today we took in a \$10 counterfeit bill. We do not know from whom it was received.
- “ 13. Paid Peter Weisman, drayman, for services to date, \$40.
- “ 14. Our store was burglarized last night, and the thieves carried away cash \$50, and goods valued at \$125.
- “ 16. Paid an advertising bill in the Herald, in cash \$34.60.

191..

- Oct. 16. Sold my neighbor one ton of coal from my fuel supply for \$7.50 cash.
- “ 17. The officers have caught the thieves who burglarized my store and recovered goods amounting to \$75, and cash \$20.
- “ 19. James W. Austin whose account was entered as worthless on on the 8th, instant, sends me \$5 to apply on the debt.
- “ 19. Bought at auction a job lot of merchandise for \$200, which I have sold without removing for \$250. Net profit received in cash \$50.
- “ 20. Lost my overcoat valued at \$40, at the railroad station, and found a \$5 bill which I have put into the business.
- “ 21. James Dudley's note for \$20 which I hold is found to be worthless, and a total loss.
- “ 22. A customer called today and claimed the \$10 counterfeit bill, saying he had since learned it was not genuine, and wished to recover it. He paid me \$10 in good coin.
- “ 23. I have a deposit of \$500 in the Mutual Bank. The bank has failed and the amount is lost.
- “ 24. Sublet a portion of our store to Henry Walker who has paid one months rent, cash in advance, \$35.
- “ 26. Sold for cash, postage stamps 60c.
- “ 27. Sold to W. M. Harris on his note at 30 days, 200 bu. potatoes @ 40c, \$80; 50 bu. apples @ 60c, \$30. Total \$110.
- “ 27. Paid J. J. Fisher & Co., cash for calcimining and painting our store room, \$45.
- “ 28. The receiver of the Mutual Bank has paid a cash dividend of 25% of my claim. Cash received \$125.
- “ 29. Compromised my claim against Joseph Dreifuss of \$30, by accepting \$15 in cash in full settlement.
- “ 29. Discounted W. M. Harris' note at First National Bank. Face of note \$110, discount off \$1, cash received \$109.
- “ 30. Paid Mendel Lithographing Co., cash for letter paper, envelopes and other office supplies \$46.30.

## LESSON XI

## PROPRIETOR'S ACCOUNT

**Proprietor's Account.** It is necessary that an account should be opened with the proprietor or owner of the business in order to show his relation to the business, how much he has invested or withdrawn.

The term "Stock" is sometimes substituted for the proprietor's name.

**Resources or Assets** are the various kinds of property which belong to the business, such as mdse., cash, bill receivable, etc.

**Liabilities** are the obligations which the business owes, consisting of bills payable and personal accounts.

**Net Capital** is the excess of resources over liabilities.

**Net Insolvency** is the excess of liabilities over resources.

The proprietor is credited with whatever he invests in the business and debited with whatever he draws out of the business. His account is very similar to any other personal account.

The student must not conclude that the proprietor and the business are one and the same. The proprietor is entirely distinct and separate from the business. He merely conducts the business.

Before opening a set of books a statement of the resources to be invested must be made out. These usually consist of cash, and in some cases, of merchandise or one or two other kinds of property.

Since these resources are to be invested or received by the business, they must be debited under proper titles, and the proprietor credited for their total.

If liabilities are to be assumed by the business, (which is rather unusual), these must be credited under their proper titles and the proprietor charged for their total.

**Rule XVIII.** Debit the different kinds of property invested and credit the proprietor for the amount of his investment.

**Rule XIX.** Debit the proprietor for amounts withdrawn from the business, or obligations assumed by the business for him.

191..

Nov. 1. John Davis has this day begun business with the following assets: Cash \$2000; stock of goods worth \$3000; O. N. Cord's note \$500. Total \$5500.



191..

Nov. 5. William E. Mason has this day invested in business, cash \$3000.

“ 7. John C. Phillips has begun business with the following assets and liabilities: Cash on hand \$3200; mdse. in store \$5000; store building worth \$5000; fixtures \$250; a note against David Wilcox \$600; John M. Palmer owes on account \$120. Total \$14170. He owes notes outstanding \$1500. Field & Co., on account, \$800; H. B. Claflin & Co. on account \$1000; mortgage on storebuilding due in 2 years \$2000. Total \$5300. Mortgage is a Bills Payable.

“ 12. Wm. E. Mason has withdrawn from the business for his personal use, cash \$50.

“ 13. John Davis having received a bequest from a deceased relative, has invested in the business, cash \$5000.

“ 17. John C. Phillips has taken from the cash drawer, cash \$8.40, with which to pay a private bill.

“ 20. William E. Mason has loaned the business \$500 cash.

“ 25. George T. Williamson has this day commenced business with a capital as follows: Cash \$1000; note against Henry Hunt \$300; interest accrued on the note \$10; an account against L. M. Harvey \$250. Total \$1560.

“ 25. Geo. T. Williamson owes on commencing business the following: Note favor Frank Casper \$240; interest accrued on the note \$4.50; N. Y. Hamilton on account \$65. Total \$309.50.

“ 26. Henry Farnsworth has this day begun business in the retail boot and shoe line, by investing cash \$2500; store fixtures \$500; goods on the shelves \$1500; an account against F. W. Lawson, considered good, \$500. Total \$5000.

“ 28. Geo. T. Williamson has this day made an additional investment in the business, of cash \$1000.

“ 29. John C. Phillips has this day paid Field & Co. in cash the amount which he owes them on account, \$800.

“ 30. John Davis has withdrawn from the business for his personal use, merchandise amounting to \$65.

“ 30. Geo. T. Williamson has this day paid his doctor's bill in cash from the store, \$125.

## LESSON XII

## PARTNER'S ACCOUNTS

**A Copartnership is an association of persons who combine their labor, skill or capital in business for the purpose of profit.**

**Each partner must have an account opened with him, in order to show his relation to the business and to the other partners.**

**It would be well to have written articles of copartnership, so that a thorough understanding would exist between the partners.**

**Each partner's account is treated exactly the same as the account of a single proprietor,—credited with his investment and debited for amounts withdrawn, or for obligations assumed by the firm for him.**

**Rule XX. Credit each partner for the amount of his investment, and charge him for amounts withdrawn or for obligations assumed by the firm for him.**

**When a partner goes out of business, we make exactly the reverse entry from the one made when he goes into business,—we debit him and credit the cash or other assets which he takes with him.**

191..

**Dec. 1. Arthur Holmes and William Foster have this day formed a partnership.**

**Arthur Holmes invests, cash \$800; mdse. in store \$600; notes receivable \$1000. Total \$2400.**

**William Foster invests, cash \$2000.**

**“ 5. William Foster has this day made a further investment in the business of cash, \$400.**

**“ 5. J. D. Odell and L. V. Parker have this day formed a copartnership for the purpose of conducting a grocery business, under the firm name of Odell & Parker.**

**J. D. Odell invests, cash \$2000; an account against Henry Alston \$100, which the firm considers good. Total \$2100.**

**L. V. Parker invests, cash \$1800; a note of \$300 against Dawson Bros., which the firm is willing to accept. Total \$2100.**

191..

Dec. 5. J. D. Odell owes a note of \$250 in favor G. M. Wilson which the firm assumes.

“ 7. L. V. Parker owes George Jackson on account \$190; and Wallace Duncan \$60, to be assumed by the new firm.

“ 10. J. D. Odell has this day withdrawn, for private use, cash \$40.

“ 12. The firm of Holmes & Foster has this day dissolved, Arthur Holmes retiring from the business. William Foster continues the business and pays the retiring partner the full amount of his investment in cash \$2400.

“ 14. The firm of Odell & Parker has this day admitted their head salesman, Louis Armstrong, as a third partner in the business, he investing cash \$2000.

“ 18. L. V. Parker withdraws from the business, for private purposes, cash \$400.

“ 20. Owing to ill health L. V. Parker finds it necessary to withdraw from active business, and he has this day sold his interest in the firm to the remaining partners for cash, \$1000; note due in one year, 6% interest, \$500.

“ 25. William Foster has this day entered into partnership with Granville Howe, the firm name and style to be Foster & Howe. Partners equal in gains and losses.

William Foster invests his present business consisting of mdse. \$2800; notes receivable \$1600; store building and lot worth \$3500 on which he owes a mortgage of \$1500 with interest accrued \$100; owes notes outstanding \$850, and Newton & Simmons on account \$1320.

Granville Howe invests, cash \$2000; 10 shares City Bank Stock worth \$112½, \$1125; John D. Severn's note due in 30 days, for \$2000, interest accrued thereon \$246.

Granville Howe owes Dickens & Brown \$280; First National Bank on note \$400.

“ 27. Granville Howe has this day made an additional investment in the business, cash \$1000.

## QUESTIONS FOR REVIEW

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1. What is bookkeeping?
2. Define Single Entry.
3. Define Double Entry.
4. Define debtor and creditor.
5. What is an original entry?
6. What is a Journal?
7. How many parts are there to every proper journal entry, and what are they?
8. Write the General Rule for journalizing.
9. Define a personal account.
10. What is a bill receivable? A bill payable?
11. What is meant by the word Sundries?
12. Define a draft.
13. What is the difference between a draft and a bill of exchange?
14. What is it to honor a draft?
15. Define a sight draft, also a time draft.
16. What is an acceptance?
17. Define interest. When do you debit interest and when credit it?
18. Define a commission merchant.
19. What is a shipment or consignment?
20. Define an account sales, also net proceeds.
21. What is discount?
22. Define exchange.
23. For what is expense debited? For what is profit and loss debited?
24. Define resources or assets and liabilities.
25. What is net capital? Net insolvency?

## TO THE STUDENT

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You have, in the preceding pages, learned the principles of debit and credit, and how to apply them to business transactions. If you have mastered these thoroughly, you have a solid foundation on which to build your knowledge of bookkeeping. If you have not, it would be well to review and perfect yourself before proceeding further in the subject.

You are now to advance to new rules and problems, and you will get a glimpse of the ways and methods of business. Endeavor to master each step as you proceed. Be accurate in your figures, especially addition. Develop a plain business handwriting, and withal, write up your books and papers in a neat and careful manner. Neatness and accuracy are prime qualities of a good bookkeeper

LESSON XIII

ACCOUNTS

**An Account** is a group of items, either debits or credits, or both, so arranged under a proper head, as to exhibit certain facts in regard to the business.

**Debits and Credits.** An account has two sides,—the debits on the left, and the credits on the right.

**The Ledger** is the book of accounts. It consists of nothing but accounts, and in double entry should include accounts with every person or species of property which enters into business relations with the concern. The following form will illustrate the ledger account of a customer.

<i>Dr</i>				<i>James W. Ellsworth</i>				<i>Cr.</i>			
191-				191-							
Mar 1		<i>Mdse</i>		23	80	Mar 7	<i>Cash</i>			20	
" 7		"		6	20	" 15				5	
" 9		"		1	50					15	
				31	30						

**Posting.** The purpose of the Ledger is to collect all of the debits and credits contained in the Journal under proper heads. This process is called **posting**.

When all of the debits and credits of a certain person or species of property are arranged under one head, the debits opposite the credits, it is a simple matter to ascertain the difference or net result.

## DIRECTIONS

Journalize the following transactions, which are supposed to represent a brief months business preparatory to posting the entries as will be explained in next lesson.

Write the proper explanation beneath each Journal entry. In case of purchases (since you receive a bill) it will be sufficient to state in your journal from whom purchased, terms of purchase and "Mdse. per bill" instead of itemizing. In case of sales, state to whom sold, terms, and itemize the sale.

Jan. 2, 191.. John S. Spencer has this day commenced business by investing cash \$3000.

191..

Jan.	2	Cash		3000	
			John S. Spencer		3000
			Invested in		
			business this day		

Jan. 2. Rented store No. 48 E. Huron St., paying cash for one month's rent in advance \$50.

" 3. Bought of Sprague, Warner & Co., for cash, 10 brls winter wheat flour @ \$4.75, \$47.50; 5 cases rolled oats @ \$2.85, \$14.25; 3 brls. cut loaf sugar @ \$7.50, \$22.50, 6-100 lb drums cube sugar @ 2½c lb, \$15, 12 cases silver leaf lard @ \$6.30, \$75.60. Total \$174.85.

Explanation. Bought of Sprague, Warner & Co. for cash, Mdse. per bill.

" 4. Bought of J. C. Downing & Co. on 30 days credit, 6 tubs mackerel at \$7, \$42; 5 brls. Iceland herring @ \$10.50, \$52.50; 2 brls. blood red salmon @ \$16, \$32; 10 doz. cove oysters @ 80c, \$8. Total \$134.50.

" 5. Sold to Lewis M. Wood, for cash, 1 brl. winter wheat flour \$5.50; 20 lbs. cut loaf sugar @ 4c, 80c; 5 pkgs. rolled oats @ 10c, 50c; 1 tub mackerel \$9. Total \$15.80

" 8. Bought of Geo. E. Davis, Redlands, Cal., on 30 days, 75 boxes fancy California prunes, 25 lbs each at 15c, \$281.25.

" 10. Sold to A. W. Daniels, LaHarpe, Ill., on 60 days, 4 cases silver leaf lard at \$7.50, \$30; 10 boxes fancy California prunes at \$5, \$50; 2-100 lb drums cube sugar at 3c lb. \$6; 1 brl. blood red salmon, \$17.50. Total \$103.50.

191..

- Jan. 11. Bought of C. M. Harding & Co., on 30 days note, 6 brls. Graham flour @ \$4.60, \$26.40; 5 cases Japan type rice @ \$8.10, \$40.50; 15 sacks California lima beans @ \$6, \$90; 12 cases domestic macaroni @ \$1.80, \$21.60; 12 cases Egg O-C corn flakes toasted @ \$2.70, \$32.40; 6 cases Saratoga chip potatoes @ \$2, \$12. Total \$222.90.
- “ 12. Paid cash for advertising in “Society News” \$5.
- “ 13. John S. Spencer has this day withdrawn for his private use, cash \$10 and goods as follows: 1 box fancy California prunes \$5, 2-3 lb. cartons Japan type rice @ 8c lb., 48c; 5 pkgs. rolled oats at 10c, 50c. Total \$5.98.
- “ 15. Sold to L. A. Parker on 30 days, 10 sacks California lima beans @ \$8, \$80; 6 cases Saratoga chip potatoes @ \$2.50, \$15; 5 tubs mackerel @ \$9.50, \$47.50; 2 brls. Graham flour @ \$5.20, \$10.40. Total \$152.90.
- “ 17. Bought of Sprague, Warner & Co., for cash, 2 brls. refiner's syrup @ \$8.75, \$17.50; 5 brls. molasses Sugarland brand @ \$6.60, \$33.30. Total \$50.80
- “ 17. Paid cash to C. & N. W. Ry. for freight on goods just received from Sprague, Warner & Co., \$4.60.
- “ 18. Received of A. W. Daniels, LaHarpe, Ill., his check to apply on account, \$50.
- “ 20. Sold Geo. P. Anderton, Moline, Ill., on 30 days, 4 cases rolled oats @ \$3, \$12; 2 brls. cut loaf sugar @ \$9.50, \$19; 4-100 lb. drums cube sugar @ 3c lb., \$12; 1 brl. refiner's syrup @ \$10; 2 brls. Sugarland brand molasses @ \$8, \$16. Total \$69.
- “ 21. Received of L. A. Parker his note at 60 days, bearing 6% interest, to apply on account, \$100.
- “ 22. Shipped to Horton Bros., Detroit, Mich., for sale on my account and risk, 50 boxes fancy California prunes @ \$3.75, \$187.50. Paid cash for drayage \$1.50.



## LESSON XIV

## OPENING ACCOUNTS—POSTING—TRIAL BALANCE

**Opening Ledger Accounts** consists in writing the name of the account directly across the centre of the page. An account should always begin at the top of a page. Ledger accounts should be written in a plain, bold hand. Never abbreviate ledger headings unless names of persons or firms, when these should conform to the firm name and style.

**Order of Precedence.** The proprietor's or partners' accounts should always come first and these are usually followed by Cash, Merchandise, Bills Receivable, Bills Payable and Expense in the order named, leaving personal accounts to the last, since these may be quite numerous.

## DIRECTIONS

Proceed to open the following accounts in your ledger: John S. Spencer, at top of first page; Cash, 10 lines below Spencer's account; Merchandise 15 lines below cash; Bills Receivable, top of second page extending 8 lines below; Bills Payable extending 8 lines below; Expense, 8 lines; J. C. Downing & Co., 8 lines; Geo. E. Davis, Redlands, Cal., 8 lines; A. W. Daniels, LaHarpe, Ill., 8 lines; L. A. Parker, 8 lines; Geo. P. Anderton, Moline, Ill., 8 lines; Shipt. Horton Bros., Detroit, 8 lines.

**Posting.** Having in the previous lesson journalized the transactions, you will now proceed to post the items in your journal to their proper ledger accounts as follows:

The first item in your journal is "Cash Dr. \$3000." Transfer this item to the left hand or Dr. side of the Cash account in your ledger, entering the date Jan. 2, 191 and writing John S. Spencer in the wide column. Write the amount \$3000 in the money column. (*See ledger form.*)

In the narrow column at the left of the money column, which is the folio (page) column, write the page of your journal from which the item was transferred, and in the folio column in your journal write the page of the ledger to which the item was transferred.

This process of cross paging is called post-marking and is necessary for the sake of reference.

The next item in your journal is John S. Spencer, Cr. \$3000. Transfer this to the credit side of John S. Spencer's account, writing first in the date, Jan. 2, 191.. and "Cash" with the amount \$3000 in the money column. (See ledger form.)

Postmark the entry by writing the page of the journal in the ledger and the page of the ledger in the journal opposite the item transferred.

FORM OF LEDGER

Dr.		John S. Spencer		Cr.	
		191-			
		Jan 2	Cash	1	3000
191			Cash		
Jan 2	John S. Spencer	1	3000	Jan 2	Expense
				1	50
				1	174 85
191			Merchandise		
Jan 3	Cash	1	174 85		
" 4	J. C. Downing Co	1	134 50		
191			Expense		
Jan 2	Cash	1	50		

The next item in your journal is "Expense Dr. \$50." Transfer this item to the debit side of Expense account, writing date, "Cash" and the amount, \$50, in the money column.

Postmark the entry by writing the page of the journal (1) in the ledger and the page of the ledger (2) in the journal.

The next item in your journal is "Cash Cr. \$50." Transfer this to the credit side of Cash account, writing date, "Expense" and the amount in the money column.

Postmark the entry by cross-paging as before.

The next item in your journal is "Mdse. Dr. \$174.85." Enter this on the Dr. side of Merchandise account, with date and "Cash" (as an explanation) and the amount in the money column.

Postmark the entry.

The next item in your journal is "Cash Cr. \$174.85," hence this must be carried to the Cr. side of Cash account with date and amount, writing in the wide column as an explanation, the word "Mdse."

Postmark.

Next we have "Mdse Dr. \$134.50." We enter this amount on the Dr. side of Merchandise account with date and amount, writing in the wide column as an explanation "J. C. Downing & Co." and postmark.

Now go to the credit side of J. C. Downing & Co's account and credit them with "Mdse. \$134.50" writing date and amount in proper columns, and postmark the entry.

Thus continue to transfer every debit item and every credit item to its proper account in the ledger, postmarking each entry as it is posted.

In posting an entry where there are several debits or credits we use the word "Sundries" (Sunds) as an explanation in the ledger. Thus in debiting John S. Spencer in the entry of the 13th, we enter date and "Sunds \$15.98."

**Checking.** To make sure that the posting has been correctly done, begin with the first item in the journal, trace the item to its proper place in the ledger, and if it is correct, place a small pencil check-mark (✓) opposite the figures. Thus proceed to trace every entry from the journal and check all that are correct. This will prevent items from being posted to the wrong account.

**Footing.** Take a sharp pencil of rather hard quality, go over the accounts in your ledger and in all accounts where there are more than one item on either side, add the items and write the total in small, clear figures close up under the bottom figures of the column. This is called "footing" the ledger.

**Trial Balance.** Next take a sheet of journal paper and write across the top "Trial Balance, Jan. 31, 191..". Write the names of all of the accounts as they appear in the ledger, placing the total debits in the left hand money column, and the total credits in the right hand money column. Place the folio of the ledger at the left, opposite each account, to show where it comes from. Your trial balance must then agree with the following:

*Trial Balance January 31, 191-*

1	John S. Spencer	15	98	3000
1	Cash	3065	80	29675
1	Merchandise			
2	Bills Receivable			
2	Bills Payable			
2	Expense			
2	J. C. Downing & Co			
2	Geo. E. Davis Redlands Cal			
	A. W. Daniels, La Harpe, Ill			
	L. A. Parker			
	Geo. P. Anderton Moline, Ill			
	Shipt. Norton Bros. Detroit			
		4620	98	4620 08

Add the two columns of the Trial Balance and place the totals below. These totals must agree since it is one condition of double entry that the books must be in balance at all times.

The trial balance is not proof that the ledger is absolutely correct. It only proves that the ledger is in balance. An item may have been posted to a wrong account, and this the trial balance would not detect. Checking the items will detect any errors in the postings.

## LESSON XV

## CLOSING THE LEDGER

**Closing.** Closing an account consists in putting it in such condition that it will exhibit certain facts in regard to the business, other than those which it exhibits ordinarily as an account.

To close an account we write the difference on the smaller side in red ink.

**Classes of Accounts.** Accounts are of two kind viz: Those which show resources or liabilities, called **Financial Accounts**, such as Cash, Bills receivable. Bills Payable and Personal accounts, and those which show gains or losses, called **Revenue Accounts**, such as Merchandise, Real Estate, Shipments and other property accounts, also Expense, Interest, etc. The following analysis will exhibit this classification:

Accounts	Financial	<div> <div>Exhibit</div> <div>Resources</div> <div>or</div> <div>Liabilities</div> </div>	<div> <div>Close</div> <div>To or By</div> <div>Balance</div> </div>
	Revenue	<div> <div>Exhibit</div> <div>Gains</div> <div>or</div> <div>Losses</div> </div>	<div> <div>Close</div> <div>To or By</div> <div>Profit and Loss</div> </div>

**Inventory.** Before closing a set of books, if there is any property on hand belonging to the business it will be necessary to take an inventory of such property, in order to ascertain what the gain or loss has been upon the portion sold.

Taking an inventory is called "Taking an Account of Stock" and consists in going over the stock or property carefully and estimating the value of each article. The value is figured at cost price with freight or other charges added and deductions for damaged or shop-worn conditions.

## INVENTORY OF PROPERTY ON HAND JAN. 31, 191..

9	brls. Winter Wheat Flour	4.75	42	75		
4	" Graham Flour	4.50	18			
260	pkgs. Rolled Oats	.08	20	80		
280	lbs. Cut Loaf Sugar	.02½	7			
14	bxs. Fancy Cal. Prunes 25 lb. ea.	.15	52	50		
8	cases Silver Leaf Lard	6.30	50	40		
5	brls. Iceland Herring	10.50	52	50		
1	" Blood Red Salmon	16.00	16			
10	doz. Cove Oysters	.80	8			
178	cartons Japan Type Rice, 3 lb. ea.	.7½	40	05		
5	sacks California Lima Beans	.06	30			
12	cases Domestic Macaroni	1.80	21	60		
12	" Egg O-C Corn Flakes, Toasted.	2.70	32	40		
1	brl. Refiner's Syrup	8.75	8	75		
3	" Molasses, Sugarland Brand	6.60	19	80	420	55
Shipt. Horton Bros. Detroit Mich.					200	

## DIRECTIONS

**Cash.** Begin with the first account in your ledger after the proprietor's, which is Cash. This is a Financial account and hence will close with **Balance**. The credit side being the smaller we enter in red ink on the credit side "**Jan. 31, Balance \$2769.05.**"

Closing entries are made in red ink.

**Merchandise.** The next account is Merchandise. This is a Revenue account but has an inventory and in order to ascertain the gain or loss we must first enter the inventory on the credit side. Since unsold property is a resource or financial item, we enter the inventory as a **Balance** item, viz: "**Jan. 31, Balance \$420.55.**" Add the inventory to the credit side, and we find the total to be larger than the debit side. We therefore enter the difference in red ink on the Dr. side "**Jan. 31, Profit and Loss \$86.33.**"

We enter the inventory on the credit side because if the goods were sold they would then be entered upon that side of the account, and also for the reason that every resource is a credit red ink balance.

**Bills Receivable.** Your next account is Bills Receivable. This is a Financial account and closes with **Balance** on the credit side in red ink.

**Bills Payable** is a Financial account and closes with **Balance** on the debit side in red ink.

**Expense** is a Revenue account and hence will be closed by entering the difference on the smaller side in red ink "**Jan. 31. Profit and Loss \$55.**"

**Personal Accounts** are closed with **Balance** since they are **Financial** accounts.

**Shipt. Horton Bros., Detroit, Mich.**, is a **Revenue** account with an inventory. The inventory must be entered on the credit side as **Balance** and then the difference between the two sides as **Profit and Loss**, the same as previously exemplified in the **Merchandise** account.

### PROFIT AND LOSS

**Profit and Loss Account.** Having closed all the accounts in your ledger, except the proprietor's, you will next proceed to open a **Profit and Loss** account. Into this account you will carry all red ink **Profit and Loss** entries from the various **Revenue** accounts in the ledger, in order to ascertain your net loss or gain.

From the debit side of **Merchandise** account we transfer the **Profit and Loss** red ink entry to the credit side of **Profit and Loss** account, "Jan. 31, Mdse. \$86.33" in black ink, and postmark both entries by cross paging.

From the credit side of **Expense** account we transfer the **Profit and Loss** red ink entry to the debit side of **Profit and Loss** account "Jan. 31, Expense \$55" in black ink, and postmark both entries.

From the debit side of **Shipt. Horton Bros., Detroit**, account we transfer the **Profit and Loss** red ink entry to the credit side of **Profit and Loss** account "Jan. 31, Shipt. Horton Bros. \$11" in black ink, and postmark.

*Profit & Loss*

191-				191-			
Jan 31	Expense	2	55	Jan 31	Mdse	1	86 33
" 31	Shipt Horton Bros	1	11	" 31	Shipt Horton Bros		11
			97 33				97 33

It will thus be readily seen that the **Profit and Loss** account is composed of a collection of entries showing gains and losses from all of the revenue accounts in the business. The credit side exhibits gains, while the debit side shows losses. The difference between the two sides then must show the net profit or net loss of the business.

**Proprietor's Account.** The Profit and Loss account will now be closed by entering the difference between the two sides on the smaller side. John S. Spencer being the proprietor of the business, will receive the profits, hence we make the entry "**Jan. 31, John S. Spencer \$42.33**" in red ink on the debit side. Transfer this entry to the opposite side (Cr.) of John S. Spencer's account "**Jan. 31, Profit & Loss \$42.33**" in black ink.

Close John S. Spencer's account by entering on the smaller side "**Jan. 31. Balance \$3026.35**" in red ink.

**Ruling and Footing.** All accounts having more than one item on either side should be ruled first with a single line directly beneath the figures and across the money columns only, and then with a double ruling on the next line below, across all columns except the wide, or explanatory columns. (*See Profit and Loss account.*) Accounts having only a single item on both sides may be ruled with double lines only, one space below the figures. (*See Bills Receivable account.*) Always rule up personal accounts at any time when they balance.

Rulings on both sides of the account must be even. In case one side of an account is much longer than the other, the space may be closed by a diagonal line.

Bills Receivable									
191-					191-				
Jan 21		L G Barker		100	Jan 31		Balance		100

All accounts having more than one item on a side must be "footed," the totals being placed within the rulings below in black ink.



## LESSON XVI

## ANALYSIS OF ACCOUNTS

It is important that the student should understand the nature of each account, and the meaning of the entries therein.

**Cash.** First entry is always made on the Dr. side. (Why?) Dr. side shows cash received. Cr. side shows cash paid out. Difference must agree with cash on hand. Credit side can never exceed the debit. (Why?) Cash on hand is a resource.

**Bills Receivable.** First entry is always made on Dr. side. Dr. side shows notes received. (Why?) Cr. side notes disposed of. Difference must agree with notes on hand. Cr. side can never exceed the debit. (Why?) Notes on hand are a resource.

**Bills Payable.** First entry is always made on the credit side. (Why?) Cr. side shows notes issued. Dr. side shows notes redeemed. Difference shows notes outstanding. Dr. side can never exceed Cr. (Why?) Notes outstanding are a liability.

**Merchandise.** First entry must be made on the Dr. side. (Why?) Dr. side shows purchases. Cr. side shows sales. Difference between the two sides, (after inventory is entered), shows gain or loss. Merchandise on hand is always a resource.

**Real Estate.** First entry must be made on the debit side. (Why?) Dr. side shows purchases. Cr. side shows sales, if any. Inventory entered on credit side, then difference shows gain or loss. Real Estate on hand is a resource.

**Shipments or Consignments.** First entry must be made on the debit side. (Why?) Dr. side shows market value of the goods shipped away, together with shipping charges, if such have been paid. Cr. side shows net proceeds of sales, after expenses and commission have been deducted. If the entire shipment is not sold the inventory should be entered on the Cr. side as usual with property accounts. Difference between the two sides shows gain or loss. Shipment on hand is a resource.

**Personal Accounts.** Dr. side of a personal account shows what the person owes us. Cr. side shows what we owe him. The difference, if the Dr. side is larger, shows a balance due us,—a resource. If the Cr. side is larger the difference shows a balance against us, or a liability.

**Expense.** Dr. side shows outlays for running the business. Credit side shows any returns received from items charged to this account. Difference shows a loss or gain.

Thus if one should sublet a part of his store or office, he should debit expense for the entire rent paid and credit expense for the amount received. Expense may have an inventory, as a supply of coal on hand. The account would then be closed the same as a merchandise account.

**Interest, Discount or Exchange.** The Dr. sides of these accounts show what we have paid out for such items. The credit sides show what we have received for such items. The difference is a gain or loss.

**Profit and Loss.** The debit side shows our losses. The credit side shows our gains. The difference shows a net gain or net loss.

**Proprietor's Account.** The credit side shows his investments, and his net profit after the books are closed. The debit side shows his withdrawals, and his net loss after the books are closed. The balance of the account shows his capital or insolvency at the close of business.

The balance of the proprietor's account, like all other closing entries, is written in red ink on the smaller side. If this balance occurs on the debit side of the account it shows a net capital; if upon the credit, it shows a net insolvency.

## WORKING BALANCE SHEET

The **Working Balance Sheet** is a concise statement showing the condition of the business at the time of closing the books. It must exhibit in compact form the resources and liabilities of the business; the gains or losses for a preceding period, and the net capital or net insolvency of the concern. It is made up from the Trial Balance and inventories, by extending the differences into their proper columns. This Working Balance Sheet, shows the ledger as it will appear after it is closed. As its name indicates, it is usually made out by the bookkeeper before he closes the ledger, as an aid in closing and as a safeguard against error. The bookkeeper takes the differences as shown on his Working Balance Sheet, direct to the various ledger accounts, as closing entries.

This form of balance sheet has been extensively used by bookkeepers as an exhibit of the business to be submitted to the proprietors or officers after the books are closed. The usage appears to be changing in favor of the financial statement, (*shown later*), as a form better adapted to that purpose while the Working Balance Sheet is retained as a convenience in closing the ledger.

# Working Balance Sheet, Jan 31, 191-

No.	Accounts	Face of Ledger		Losses	Gains	Resources		Liabilities
		Debit	Credit			Assets	Liabilities	
1	John A. Spencer	1598	3000					
1	Cash	3065 80	296 75			2769 05		
1	Wells Inst. 420.55	868 90	534 68		86 33	420 55		
2	Bills Receivable	100				100		
2	Bills Payable		222 90					222 90
2	Expense	55		55				
2	J. C. Downing & Co.		134 50					134 50
2	Geo. S. Davis, Redlands		281 25					281 25
3	W. Daniels & Harp, Ill.	109 50	50			59 50		
3	F. Q. Barker	152 90	100			52 90		
3	Geo. S. Anderson, Mfg. Co. Ill.	69				69		
3	Wm. H. Norton, Broad St. Ill.	189			11	200		
		4620 08	4620 08					
	Net Gain				112 55			
				97 33	97 33			
	J. A. Spencer, Invest	3000						
	" " Kithrednails	1598						
	" " Net Invest		2984 02					
	" " Gain		42 33					
	" " Capital							
						3665		3665

**Balances Brought Down.** If the business is to be continued, it will be necessary to bring the balances down in the ledger accounts beneath the rulings, changing sides in black ink. Date the balances brought down Feb. 1.

It is well to take a trial of the balances brought down, so as to make sure that none have been overlooked, and that your ledger is in balance before beginning the next month's business.

LESSON XVII  
COPARTNERSHIP

The student will proceed to journalize the following transactions:

191..

- Feb. 1. Charles H. Wilson and Henry Duncan have this day formed a copartnership for the purpose of conducting a retail and wholesale grocery business, partners to share gains and losses equally. The firm name and style to be Wilson & Duncan. Charles H. Wilson invests his present stock of goods valued at \$2500. Store fixtures and leasehold of store room \$350. Horse and wagon \$150. Henry Duncan invests cash \$3000.
- “ 1. Paid cash for postage and expenses of printing and mailing circular letters to customers and others notifying them of the new firm, \$8.40.
- “ 2. Bought of Sprague, Warner & Co., for cash, 20 brls. winter wheat flour @ \$4.87½, \$97.50; 10 brls. Graham flour @ \$4.62½, \$46.25; 24 sacks Buckwheat flour, 65 lbs each @ 4c lb, \$62.40; 20 cases rolled oats @ \$2.75, \$55; 2 brls. cube sugar at \$9, \$18; Total \$279.15.
- “ 3. Paid cash for rent of store for current month, \$35.
- “ 4. Sold to A. C. Nelson on 30 days, 100 cartons Japan type rice 3 lbs. each @ 8c, \$24; 5 cases domestic macaroni @ \$1.87½, \$9.36; 2 sacks California lima beans @ \$6.25, \$12.50. Total \$45.86.
- “ 5. Bought of W. M. Hoyt & Co., on 30 days, 10 cans Sorghum molasses 10 gal. ea. @ \$4, \$40; 12 cases MacLaren's Imperial cheese \$3.25, \$39; 5 cases Edam cheese @ \$9.50, \$47.50; 20 boxes Premium chocolate @ \$3, \$60. Total \$186.50. Paid cash for freight \$6.30 and cartage \$1.75.
- “ 7. Shipped to Davis & Moore, commission merchants, St. Louis, for sale on our account and risk, 60 brls. winter apples @ \$3, \$180. Cartage paid in cash \$4.50. Total \$184.50.

191..

- Feb. 8. Sold to A. C. Nelson on 30 days, 4 boxes Premium chocolate @ \$3.60, \$14.40; 5 cans Sorghum malasses @ \$5, \$25; 100 lbs. cut loaf sugar @ 3c, \$3; 5 cases silver leaf lard, @ \$7.50, \$37.50; 1 brl. refiner's syrup \$10. Total \$89.90.
- " 10. Henry Duncan has withdrawn for private use, cash \$10.
- " 11. Bought for cash, 3 tons of coal for heating the store, at \$7.50, \$22.50.
- " 11. Sold Henry M. Hudson on account, 5 cases Egg O-C corn flakes toasted @ \$3, \$15; 3 cases silver leaf lard @ \$7, \$21; 7 cases Domestic macaroni @ \$2, \$14; 26 pkgs. rolled oats @ 8c, \$2.08. Total \$52.08.
- " 12. Sold to C. B. Mitchell, LaSalle, Ill., on 30 days, 10 doz. cove oysters @ \$1, \$10; 1 brl. blood red salmon @ \$20; 3 brls. Iceland herring @ \$12, \$36; 1 brl. cube sugar @ 12; 180 lbs. cut loaf sugar @ 3c, \$5.40; 78 cartons Japan type rice 3 lb. ea. @ 8c, \$18.72; 20 sacks Buckwheat flour @ \$3, \$60. Total \$162.12.
- " 12. Received of C. B. Mitchell, LaSalle, Ill., his note at 30 days to apply on account for \$81 06.
- " 14. Received cash of Henry M. Hudson on account, \$25.
- " 14. Sold to the Palmer Hotel Co. on account, 10 cases rolled oats \$3, \$30; 5 cases Egg O-C corn flakes toasted @ \$3, \$15; 10 brls. winter wheat flour @ \$5, \$50; 5 brls Graham flour @ \$5, \$25; 1 brl. cube sugar @ \$12. Total \$132.
- " 15. Bought of J. C. Bradford, Corona, Cal., on 30 days, 100 boxes California cluster raisins @ \$2, \$200; 50 boxes oranges @ \$3, \$150. Total \$350.
- " 15. Bought of A. W. Wheeler & Co., on 30 days, 30 cases Diamond brand coffee @ \$13.25, \$397.50; 50 boxes imported Malaga raisins @ \$3.50, \$175; 10 brls. white distilled vinegar @ \$7.50, \$75. Total \$647.50.
- " 16. Paid Santa Fe Railroad Co., cash for freight on invoice of raisins and oranges received from J. C. Bradford, Corona, Cal. \$67.30.
- " 16. Sold Siegel, Cooper & Co. for cash, 50 boxes oranges @ \$4.30, \$215.
- " 17. Accepted A. W. Wheeler & Co's. draft on us at 30 days sight, favor Citizens Bank for \$300.

191..

- Feb. 17. Shipped to Watson & Son, commission merchants, Minneapolis, Minn., for sale on our account and risk, 100 boxes California cluster raisins @ \$3, \$300. Cartage paid in cash \$2.50. Total \$302.50.
- “ 18. Received of Davis & Moore, St. Louis, an account sales of our shipment of Feb. 7, showing net proceeds \$234.60.
- “ 19. Sold to Watson & Whitaker on account, 3 sacks California lima beans @ \$7.50, \$22.50; 10 brls. winter wheat flour @ \$5.25, \$52.50; 10 cases rolled oats @ \$3, \$30. Total \$105.
- “ 23. Paid house rent of Chas. H. Wilson by check on firm's bank account, \$25.
- “ 24. Sold J. W. Douglas, Macomb, Ill., on 60 days, 2 cases Diamond brand coffee @ \$15, \$30; 5 boxes Premium chocolate @ \$4, \$20; 3 cans Sorghum molasses, 10 gal. each @ \$5.25, \$15.75; 6 cases MacLaren's Imperial cheese @ \$4.20, \$25.20. Total \$90.95.
- “ 25. Sold H. E. Jackson, Rockford, Ill., on 30 days, 5 brls. winter wheat flour @ \$5, \$25; 3 brls. Graham flour @ \$4.75, \$14.25; 6 boxes fancy California prunes, 25 lbs. each @ 16c, \$24; 1 brl. molasses, Sugarland brand @ \$8. Total \$71.25.
- “ 26. Bought of Sprague, Warner & Co., 5 cases silver leaf lard @ \$6, \$30; 10 cases Egg O-C corn flakes toasted @ \$2.75, \$27.50; 20 cases rolled oats @ \$2.85, \$57; 10 cases Saratoga chip potatoes @ \$2, \$20; 20 brls. winter wheat flour @ \$4.75, \$95; 100 lb sacks barley flour @ \$4.75, \$475; 8 half-chests Gunpowder tea @ \$14, \$112; 5 half-chests Y. H. tea \$12.50, \$62.50. Total \$446.50. Gave in payment one half cash, balance our note at 30 days with 6% interest.
- “ 27. Watson & Whitaker claim a shortage of one case of rolled oats in our sale of the 19th, which we allow, at \$3, and credit their account.
- “ 27. Received of Palmer Hotel Co., on account, cash \$50.
- “ 28. Sold A. E. Barker, Elkhart, Ind., on his 60 days note, 20 brls. winter wheat flour @ \$5, \$100; 5 cases Diamond brand coffee @ \$17.50, \$87.50. Total \$187.50.
- “ 28. Paid cash for the following items: Postage stamps \$2; advertising in the News \$15; repairs to window shades \$1.60; printing and stationery \$13.25. Total \$31.85.

## DIRECTIONS

After journalizing the foregoing transactions proceed to post your journal to the ledger. In opening ledger accounts, allow Chas. H. Wilson 8 lines; Henry Duncan 10 lines; Bills Receivable 10 lines; Bills Payable 10 lines; Cash one page; Merchandise 30 lines; Expense 12 lines; Fixtures 8 lines; Horse and Wagon 8 lines; A. C. Nelson 8 lines; W. M. Hoyt & Co. 8 lines; Shipt. Davis & Moore, St. Louis, 8 lines; Henry M. Hudson 8 lines; C. B. Mitchell, LaSalle, Ill., 8 lines; Palmer Hotel Co. 8 lines; J. C. Bradford, Corona, Cal., 8 lines; A. W. Wheeler & Co. 8 lines; Shipt. Watson & Son, Minneapolis, 8 lines; Davis & Moore, St. Louis, 8 lines; Watson & Whitaker 8 lines; H. E. Jackson, Rockford, Ill., 8 lines; Profit & Loss 10 lines.

## LESSON XVIII

## CLOSING FEBRUARY

**Footings.** Add the debits and the credits of each account in the ledger, and with a sharp pencil write the totals in small, distinct figures beneath the columns added.

**Trial Balance.** Proceed to take off a Trial Balance of all the accounts in the ledger, which should correspond with the following:

## TRIAL BALANCE, FEB. 28, 191..

1	Chas. H. Wilson	25	3000	
1	Henry Duncan	10	3000	
1	Cash	3200	716	50
2	Merchandise	4488	1631	66
2	Bills Receivable			
2	Bills Payable			
	Fixtures			
	Horse and Wagon			
	Expense			
	A. C. Nelson			
	W. M. Hoyt & Co.			
	Shipt. Davis & Moore, St. Louis			
	Henry M. Hudson			
	C. B. Mitchell, LaSalle, Ill.			
	Palmer Hotel Co.			
	J. C. Bradford, Corona, Cal.			
	A. W. Wheeler & Co.			
	Shipt. Watson & Son, Minneapolis, Minn.			
	Davis & Moore, St. Louis			
	Watson & Whitaker			
	J. W. Douglas, Macomb, Ill.			
	H. E. Jackson, Rockford, Ill.			
		19439	07	10439 07

**Inventory.** Having the Trial Balance correct, the next step will be to take inventories of all property on hand, of every kind. These will show the following: Merchandise \$3318.43; Shipment to Watson & Son, Minneapolis \$310; Fixtures \$345; Horse and Wagon \$145; 2 tons Coal for Store, @ \$7.50, \$15.00.

**Working Balance Sheet.** Our ledger is now in balance, as shown by the trial balance, and we have inventories of all goods and property remaining on hand. The next step will be to make out a "Working Balance sheet" from which to close the ledger.

*Working Balance Sheet Feb 28 191-*

Accounts	Debit	Credit	Assets	Liabilities
C. H. Wilson	25	3000		
Henry Duncan	10	3000		
Cash	3290	716 50		2573 50
Merchandise Inv \$3318 43	3318 43			3318 43
Bills Receivable			462 09	
Bills Payable				
Fixtures Inv \$345 00				
Horse & Wagon Inv \$145 00				
Expenses Inv \$5 00				
G. B. Nelson				
W. M. Knight & Co				
Ship. to Davis & Moore, St. Louis				
Henry M. Hudson				
G. B. Mitchell & Co. Chgo. Ill.				
Palmer Hotel, Geo				
J. B. Bradford, Chicago, Cal.				
W. W. Wheeler & Co.				
Ship. to Watson & Son, Minneapolis				
Davis & Moore, St. Louis				
Watson & Whitaker				
W. Douglas, Macomb, Ill.				
H. E. Jackson, Rockford, Ill.				
	10449 07	10448 07		
C. H. Wilson 1/2 net gain				
Henry Duncan 1/2 net gain				
			519 69	519 69
C. H. Wilson's Investment	3000			
" " Withdrawal	25			
" " Net Investment		2975		
" " Net Gain		25 00		
" " Net Capital				
Henry Duncan's Investment	3000			
" " Withdrawal	10			
" " Net Investment		2990		
" " Net Gain		10 00		
" " Net Capital				
			7800 19	7800 19



## LESSON XIX

## CLOSING FEBRUARY—CONTINUED

**Enter Inventories.** With our Working Balance Sheet as a guide, we will begin the process of closing the ledger by entering first the inventories in their respective accounts. On the credit side of each account having an inventory, enter the amount of such inventory in red ink, under the date of the last day of the month "By Balance," as though the goods were sold for that amount.

**Close All Accounts Except Partners.** Begin with the first account in the ledger after those of the partners, and close each by entering the difference between the two sides in red ink, on the smaller side. Financial accounts close "To" or "By Balance," while revenue accounts close "To" or "By Profit and Loss." (*see page 46*) The Loss & Gain columns in our Working Balance Sheet show the revenue accounts, and the Resource & Liability columns show the financial accounts. Transfer all Profit & Loss red ink entries to the Profit & Loss account, changing sides.

**Close Profit & Loss Account.** Find the difference between the two sides of this account, which will show the net gain or net loss of the business. In this case it is a net gain. Since Wilson & Duncan are equal partners, divide the net gain (or loss) into two equal parts and enter each partner's share separately in the Profit & Loss account, in red ink, "To" or "By" the partner's name, the same as shown by the Working Balance Sheet, and transfer the accounts to the opposite side of the partners' accounts respectively.

**Close Partners' Accounts.** Close each partner's account "To" or "By Balance" the same as any financial account.

**Ruling and Footing.** Rule up all accounts in your ledger, place the footings in the rulings, and bring the balances down beneath the rulings, preparatory for a continuation of the business.

**Financial Statement.** In order to exhibit the condition of the business to the members of the firm in clear and concise form we will now prepare a statement of resources, or assets, and liabilities, for that purpose, known as a **Financial Statement**.

*Financial Statement of  
Wilson & Duncan  
For the Month Ending February 28, 191-*

<u>Resources</u>			
Cash on hand		2573 50	
Mdse. per Inventory			
Bills Receivable on hand			
Furniture per Inventory			
Horse & Wagon per Inv.			
Expense Coal			
A. C. Nelson Owes us			
Kenny M. Hudson Owes us			
C. B. Mitchell La Salle, Ill			
Palmer Hotel Co			
Shipt. Watson & Son Minneapolis, valued at	310		
Davis & Moore St. Louis			
Watson & Whitaker			
J. W. Douglas Macomb, Ill			
H. E. Jackson Rockford			
<u>Liabilities</u>			
Bills Payable outstanding			
W. M. Knight & Co we owe			
J. C. Bradford Corona, Cal			
A. W. Wheeler & Co			
Net Capital			6392 94
<u>Profits</u>			
Merchandise	\$		
Shipt. Davis & Moore St. Louis	\$		
Shipt. Watson & Son Minneapolis	\$		
<u>Losses</u>			
Expense	\$		
Furniture			
Horse & Wagon			
Net Gain			427 94
Chas. N. Wilson's Investment	3000		
" " 1/2 Net Gain	25	2975	
" " Net Capital		215 97	
William Duncan's Investment	\$		3188 97
" " 1/2 Net Gain			
" " Net Capital			3203 97
Firm's Net Capital			6392 94

## LESSON XX

## BUSINESS CONTINUED,—MARCH

191..

Mar. 1. Chas. H. Wilson has this day retired, having sold his interest in the business to Henry Duncan who will continue under his individual name.

Debit one partner and credit the other, for the amount of the retiring partner's interest in the business, as shown by his ledger account.

“ 1 The price agreed upon to be paid by Henry Duncan to Chas. H. Wilson for his interest in the business is \$2750, payable cash \$1250; note due in 6 mos. \$750; note due in one year \$750, both notes to bear 6% interest. Henry Duncan therefore withdraws the necessary cash and notes from the business.

“ 1. Paid cash for rent of store for month in advance, \$35.

“ 2. Received cash of Henry M. Hudson in full of account, \$xx.xx.

“ 3. Bought of Sprague, Warner & Co., 5 brls. cut loaf sugar @ \$11.50, \$57.50; 8-100 lb. drums cube sugar @ 7c lb. \$56; 10 brls. XX powdered sugar @ \$14.25, \$142.50; 1 doz. cans refiner's syrup 10 gal. ea., per can \$3.25, \$39. Total \$295. Paid them cash in full, less 2% cash discount, \$5.90.  
Credit "Cash Discount" for this item of \$5.90.

“ 5. Received of Watson & Son, Minneapolis, Minn., an account sales of our shipment of California raisins showing net proceeds, \$374.80, which they have placed to our credit.

“ 6. Received of Palmer Hotel Co., their check in full of account, \$xx.

“ 7. Discounted at First National Bank, A. E. Barker's note dated Feb. 28. Face of note \$187.50, discount off \$1.60. Proceeds received in cash \$185.90.

“ 7. Paid cash to W. M. Hoyt & Co. in full for their bill of \$186.50.

191..

Mar. 8. We have purchased the lot and store building which we occupy, No. 79 E. Main St., from the owner, Mrs. W. J. Lawson on the following terms and conditions:

Consideration \$4500. We assume the mortgage now on the property amounting to \$2000, bearing 5% interest due in 3 years. We pay cash \$1000. We give three notes for \$500 each, due in 3, 6 and 9 months with 6% interest, secured by second mortgage on the property.

" 8. We received a cash refund of \$25 for rent paid beyond the date of this purchase.

Credit Real Estate for this rebate, and not Expense account. When an owner occupies a store he should charge up the rent to Expense account every month, the same as though the building was owned by some other person.

" 9. Received of A. C. Nelson his check for \$89.90 in full of our bill of Feb. 8.

Along with the check came the following order, which we immediately fill: 8 boxes fancy California prunes, 25 lbs. ea. @ 20c, \$40; 12 cases Egg O-C corn flakes toasted @ \$3.20, \$38.40; 2 cans Sorghum molasses 10 gal. ea. @ \$4.50, \$9; 1 brl. white distilled vinegar @ \$8.75; 5 cases silver leaf lard @ \$8, \$40. Total \$136.15.

" 10. Received of J. W. Douglas, Macomb, Ill., his check to apply on account, \$50. Exchange on this check 15c we lose.

" 10. Sold Lewis M. Wood, 4 brls. winter wheat flour @ \$6, \$24; 6 brls. Graham flour @ \$6.30, \$37.80; 4 sacks Buckwheat flour, 65 lbs. each @ 4c, \$10.40; 10 cases rolled oats @ \$3.50, \$35; 10 cases Saratoga chip potatoes @ \$2.40, \$24. Total \$131.20. Received in payment cash, less 2% off as cash discount \$2.62. Debit "Cash Discount."

" 12. C. B. Mitchell, LaSalle, Ill., having gone into bankruptcy, we have compromised our claim at 35c on the dollar. He owes us on note \$81.06, and on open account \$81.06. Received from his assignee in full settlement, cash \$xx.xx.

" 13. Sold J. W. Douglas, Macomb, Ill., 5 brls. XX powdered sugar @ \$18, \$90; 5 sacks barley flour, 100 lbs. ea. @ \$4.80, \$24; 2 brls. cut loaf sugar @ \$15, \$30; 4 brls. Iceland herring @ \$12.50, \$50. Total \$194. Received in payment his note at 30 days, \$100, balance on account.

191..

- Mar. 14. Received cash of Watson & Son, Minneapolis, Mich., for net proceeds of shipment of prunes, \$374.80.
- " 14. Paid cash to J. C. Bradford, Corona, Cal., in settlement for our purchase of Feb. 15, \$350.
- " 15. Paid A. W. Wheeler & Co. cash for balance due them on purchase of Feb. 15., \$xxx.xx.
- " 15. Received cash of Davis & Moore, St. Louis, in full of account \$xxx.xx.
- " 16. Paid cash to Walter Driscoll for repainting our store front, labor and materials, \$11.40.  
Debit Real Estate.
- " 16. Henry Duncan has withdrawn cash for private use, \$25.
- " 17. Paid Citizens Bank cash for our acceptance due this day, given for account of A. W. Wheeler & Co., \$300.
- " 19. Received of Watson & Whitaker to apply on account, cash \$75.
- " 20. Sold H. E. Jackson, Rockford, Ill., on 30 days, 10 cases rolled oats @ \$3.60, \$36; 5 sacks barley flour, 100 lb. each @ \$5, \$25; 5 drums cube sugar, 100lb. each @ 9½c, \$47.50; 6 cans refiner's syrup, 10 gal. each @ \$4.25, \$25.50. Total \$134.
- " 22. Sold to Henry W. Fowler for cash, less 2% cash discount, 2 brls. molasses, Sugarland brand @ \$10, \$20; 6 cans refiner's syrup, 10 gal. each @ \$4.50, \$27; 3 half-chests Y. H. tea @ \$15, \$45; 3 half-chests Gunpowder tea @ \$16, \$48; 25 boxes imported Malaga raisins @ \$4, \$100. Total \$240. 2% cash discount \$x.xx.
- " 23. Paid A. W. Dickson county collector, cash for taxes on our store building and lot amounting to \$38.40, also taxes on our stock of goods \$16.50.  
Debit Real Estate and Expense.
- " 24. Received of H. E. Jackson, Rockford, Ill., cash to apply on account \$50, and a request for a few days further time on the balance.
- " 28. Paid cash for our note favor Sprague, Warner & Co., with interest, due this day. Face of note \$223.25, Interest \$1.12. Total \$224.37.

191..

- Mar. 28. Sold to F. E. Hess on his 60 days note, 6%, 3-100 lb. drums cube sugar @ 9c, \$27; 3 brls. cut loaf sugar @ \$15, \$45; 5 brls. XX powdered sugar @ \$18, \$90. Total \$162.
- " 28. Have this day subscribed for 5 shares of stock, par value \$100 per share, in the new bank being organized in this neighborhood, to be called the Merchants and Farmers Bank. Paid cash for the first installment amounting to \$100.
- " 29. Sold M. C. Butler, 10 cases Saratoga chip potatoes @ \$1.85, \$18.50; 50 boxes oranges @ \$3, \$150; 10 cans Sorghum molasses. 10 gal. each @ \$1, 40. Total \$208.50, net cash.
- " 30. Paid adv. bill in The Record in cash, \$6.30.
- " 31. Paid cash for months salary to John Larson, clerk, \$50.
- " 31. Paid cash for Henry Duncan's subscription to the Benevolent Society, \$10.

## DIRECTIONS

After journalizing the month of March, proceed to open new accounts for any new names that may appear upon the books, allowing each 8 lines.

Post up your ledger. Check the accounts to see that your posting is correct. Foot the accounts neatly with a sharp lead pencil. Take a trial balance. You find that you have the following:

Inventory of Property on Hand, March 31, 191..

Merchandise.....	\$2725.00
Real Estate.....	4500.00
Merchants and Farmers Bank Stock .....	100.00
Fixtures.....	340.00
Horse & Wagon.....	140.00

Make a Working Balance Sheet.

Close the ledger accounts from the Working Balance Sheet, make out a Financial Statement, which should show Henry Duncan's net capital, at the close of business to be..... \$3422.79.

### QUESTIONS FOR REVIEW

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1. Define an account. On which side are the debits entered?
2. What is the ledger, and why is it useful or necessary in every set of books?
3. What is meant by "opening an account?"
4. Define "posting."
5. In what order of precedence are ledger accounts usually opened?
6. What is "post marking" and its object?
7. What is meant by "checking" and why is it necessary.
8. Define "footing" and explain how it is done.
9. What is a "Trial Balance?"
10. Does the trial balance prove the ledger to be correct? Why?
11. What is the object of "closing" a ledger and of what does it consist?
12. What two classes of accounts have we? Name them and define each.
13. How are Financial Accounts closed?
14. How are Revenue Accounts closed, if they have an inventory? How in case of no inventory?
15. What is an Inventory, how taken, why necessary?
16. At what price are goods supposed to be inventoried?
17. Can you have an inventory of Expense? How?
18. Can you have an inventory of Interest? How?
19. What does the debit side of a personal account show? Credit side? Difference?
20. What is the object of a profit and loss account, how is it made up and how is it closed?
21. What is a "Working Balance Sheet," and why is it useful?
22. What does the "Financial Statement" show?
23. Where do you look in order to determine whether a business is profitable, or is "making money?"
24. If you saw the business was losing money where would you look to discover the cause?
25. Where would you look to ascertain the capital or insolvency of a business?

## CASH AND TRADE DISCOUNTS

A **Trade Discount** is a percentage reduction taken from a bill when goods are sold. Frequently two or more discounts are taken from the same bill, as, 5 or 40, 20 and 5.

In many lines of business, especially manufacturing, a "list price" or catalogue price is published, and discounts are allowed according to conditions of the market or cost of material. If the market fluctuates, the discounts are changed, while the list price remains the same.

Suppose a manufacturing concern is selling an article 40 per cent. off from the list price. If the buyer orders the goods for export to a foreign country, he may be given an extra discount of perhaps 20 per cent. This is to encourage foreign trade. For a specially large order he may be given an additional discount of 5 per cent., making 40, 20 and 5 off.

In figuring discounts, take off the first discount, then compute the second discount on the remainder. Compute the third after the second is deducted, etc.

**Statement.** A Statement of Account, commonly called a "statement" consists of a list of purchases together with payments or credits, if any, during a given time, usually the previous month.

If bills have been furnished the buyer at the time of the purchases, only the totals of the bills need be shown in the statement, but if the purchaser has not had bills of the various purchases, the statement should contain a detailed account of the goods sold, prices, etc. In case payments have been made or credits allowed, these should be shown on the statement.

Statements should be rendered promptly at the close of the month.

## MONTHLY STATEMENT

STATEMENTOmaha, Neb., *July 1,* 191*Messrs. A. M. Worthington & Bro.*

In Account with

## EXCELSIOR MANUFACTURING CO.

Manufacturers of Plumbers' Supplies

Terms Net 30 days, 3% 10 days

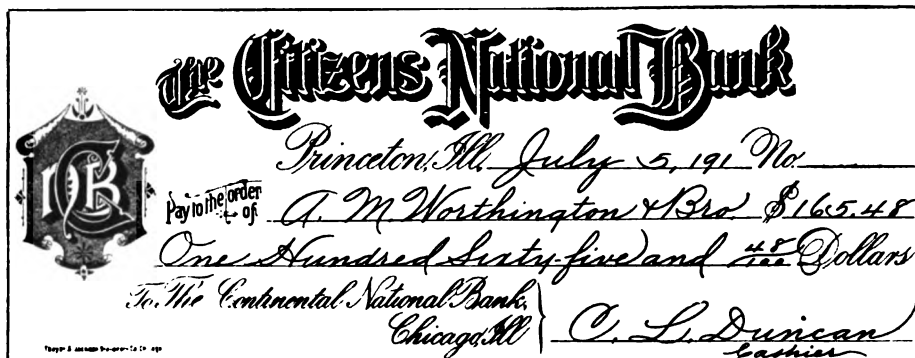
<i>June 5</i>	<i>Mdse</i>		<i>63 40</i>		
<i>" 13</i>	<i>"</i>		<i>124 30</i>		
<i>" 18</i>	<i>"</i>		<i>9 65</i>		
<i>" 27</i>	<i>"</i>		<i>27 13</i>	<i>224 48</i>	
	<i>Cr.</i>				
<i>June 20</i>	<i>Goods Returned</i>		<i>4 60</i>		
<i>" 25</i>	<i>Cash</i>		<i>50</i>	<i>54 60</i>	
	<i>Balance</i>			<i>169 88</i>	



**Cash Discount** is an allowance in cash made for the payment of a bill within a specified time.

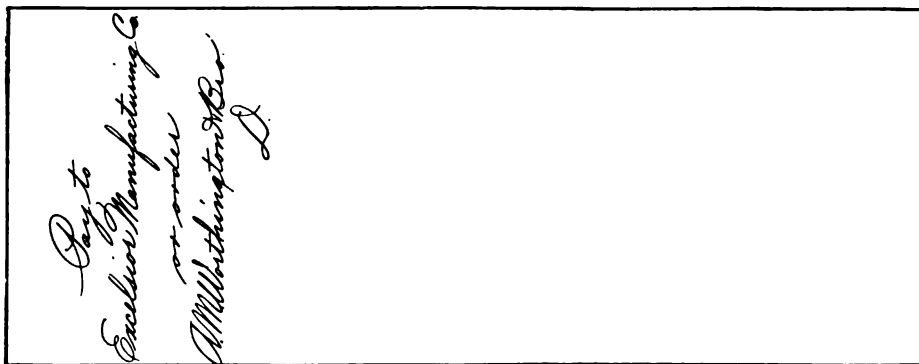
Goods are sold on a definite term of credit, such as 30 days or 60 days, or 4 months, etc. At the end of that time the bill is "net" and must be paid in full. But the buyer may have the option of paying within the first ten days or other period, and receiving a special "cash discount." The statement would then bear the following: "Terms 30 days; 2 per cent. 10 days" or "Terms 4 mos; 3 per cent. 30 days."

## BANK DRAFT



**Remittances.** In payment of obligations through the mails it is improper to send personal checks long distances. For payments at long distances send either bank drafts, or if the amounts are small, postoffice or express money orders. The draft or money order should be made payable to the person sending the remittance, and by him endorsed in full, to the person or firm to whom the remittance is to be made. In this method the draft shows that it has passed through the hands of the remitter.

## ENDORSEMENT



A personal check is only supposed to circulate in the immediate vicinity where it is given, while bank drafts and money orders, being issued by institutions of known re-

sponsibility are acceptable anywhere. Personal checks on distant banks are also subject to a small charge for collection, called exchange. Many western firms who purchase of eastern manufacturers, and hence have occasion to make frequent payments in the East, keep accounts in eastern banks so that they may make remittances by their own checks.

The check, draft or money order may be merely enclosed with the statement, or a formal letter may accompany it.

## FORM OF LETTER ENCLOSING REMITTANCE

A. M. WORTHINGTON & BRO.  
PLUMBING, GAS FITTING  
AND  
SEWERING

CHICAGO, *July 5, 191*

*Excelsior Manufacturing Co.  
Omaha, Neb.*

*Gentlemen:*

*Enclosed find payment of  
your statement, less cash discount  
as follows:*

*Balance per statement \$169.88*

*Cash discount 2% 4.40*

*New York draft enclosed 165.48*

*Thanking you for your promptness  
in filling my orders. I am,*

*Yours very truly,*

*A. M. Worthington & Bro.*

*C.L.*

## TO THE STUDENT

---

You have now learned how to open, post and close a ledger, the meaning of the various accounts in their relation to the business, and the facts shown by them. It is from the ledger that the proprietor or manager of a business seeks the information which is to guide him in the conduct of his affairs.

You have learned to take a trial balance and make out a balance sheet and a financial statement. These show at a glance, the business as it stands. Every word and figure conveys a meaning, and must be thoroughly understood.

You have also learned something of trade and cash discounts so generally used in business. You are now prepared to take up some of the methods and forms employed in every day business, as will be presented in the lessons which follow.

## LESSON XXI

## SINGLE ENTRY—RETAIL

## Changed to Double Entry.—Loose Leaf System

**In Single Entry** accounts are kept in the ledger with persons only, the object being to show our relation to those with whom we transact business.

Since in single entry every debit does not have a corresponding credit, a trial balance cannot be taken, and the gains and losses must be ascertained by relying upon inventories and other information not contained in the books.

**Retailers** and small tradesmen find the simplicity of single entry well adapts it to their purposes.

**Agents**, trustees, administrators of estates and all those who are charged with the collection and disbursement of money, belonging to others, find single entry a satisfactory method of keeping accounts.

**Retail Grocery Business.** To exemplify the keeping of accounts by the single entry system, the retail grocery business is here selected. An Order Book, Day Book, Cash Book, and Ledger will be kept.

**Order Book.** Formerly this was a small book of long and narrow proportions, sometimes called a "counter book," and in it were entered the orders as received. If the order was paid, the entry was so marked, and no posting done to the ledger; but if not paid, the customer's account was charged.

At the present time retailers use small books or pads, provided with duplicate order blanks and a carbon sheet for duplication. Upon these are written with pencil, the name and address of the customer, articles and extensions of prices. These pads are used by the clerks behind the counter as well as the order takers who call on customers.

As the articles are put up for delivery they are checked off in the margin of the order pad, extended and a total found.

The original order is retained by the dealer, while the duplicate is delivered to the purchaser with the goods. The original blanks are kept on file according to date or in envelopes according to the name of the customers. If a ledger is kept, the accounts of the customers are charged from the original order.

**Envelope System.** If the Envelope System is used, an envelope is made out for each customer who buys on credit, and these are filed in an upright position in a tray in alphabetical order. As the slips are handed to the cashier or bookkeeper by the clerk, the total is entered on the outside of the envelope and the slip placed inside as a detailed record of the charge. Payments are credited on the envelope as made.

Some firms notably those operating department stores, have order pads with a recapitulation in the cover. Each day at the close of the business the salesmen are required to add up their total sales and turn in their books.

In small stores it is not customary to make out regular bills for cash sales, the clerks being provided with small slips consecutively numbered, on which is noted simply the amount of the purchase. The customer takes this slip to the cashier who files it on a spindle. From these slips the cash sales for the day are ascertained and entered by total in the Cash Book.

**Day Book.** The Day Book is a history of the operations of the business, in narrative form. In a single entry system, the terms Dr. and Cr. are used to indicate whether a person is to be charged or credited. Impersonal transactions may, or may not, be entered in the Day Book. From the Day Book we post directly to the Ledger, thus doing away with the Journal.

It was formerly customary to copy all bills sold to customers into the Day Book, but present-day duplication methods have supplanted this practice and avoided the great loss of time incident thereto.

**Cash Book.** The Cash Book when operated in a single entry system differs from its use in double entry only in one respect; it is auxiliary, not being posted from. Its purpose is merely to keep a convenient record of the cash received and paid out, and a check upon the daily cash balance. For more detailed explanation of the cash book see pages 76 and 77.

ORDER PAD  
**FISCHMANN'S**  
**GROCERY AND MARKET HOUSE**  
PURVEYORS OF HIGH GRADE  
**MEATS AND GROCERIES**  
6226-6228 EVANSTON AVENUE

Telephone Edgewater 2787-3981 Chicago, Ill. .... 191..

Sold to Schmauch

Apt. \_\_\_\_\_ Address 6305 May St.

1	1	lb. Butter		33
2	1	lb. Coffee		35
3	1	Bread		05
4	1-2	pk. Pot.		25
5	1	lb. Onions		05
6	1	H. C. Flour		18
7	3	bun. Carrots		15
8	1	br. Berries		10
9			\$1	46
10				

**Loose Leaf Ledger.** A loose leaf ledger is one consisting of ledger ruled sheets arranged in alphabetical or numerical order in a binder. The loose leaf is particularly adapted to personal accounts.

The primary object of the loose leaf system of accounting is the elimination of all surplus or inactive accounts, and to this end the accounts are divided into "Current Accounts" and "Transferred Accounts," a separate binder or ledger being kept for each.

**Current Accounts** are kept in the current binder, which is so made up that each account sheet is separate and independent, making it possible to remove or transfer any account at pleasure. Index leaves are interspersed throughout the book followed by the accounts in the same order for easy reference.

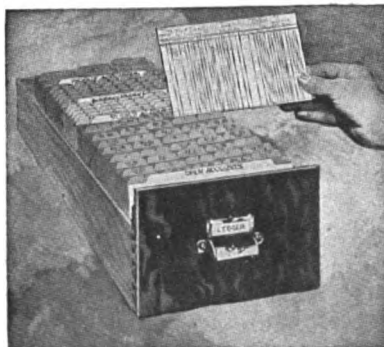
**Transferred Accounts** are those which have been closed, and also includes the filled sheets of active accounts which have been forwarded.

These are placed in the transfer binder in the same position which they occupied in the current binder. Where an account covers a number of sheets, these should be kept together in the transfer, thus making all transactions of every customer accessible for future reference.

The posting to a loose leaf ledger does not differ from posting to a book ledger, but where the account sheets are not numbered, a check (✓) mark is placed in the folio column of the book.

**The Card Ledger.** A card ledger has been defined as a cabinet of accounts kept on cards, standing on edge, and arranged alphabetically or numerically.

The same principles which apply to the loose leaf system govern the card system. Usually only personal accounts are kept in these cabinets, one card being devoted to each account. The same classification of current and transfer is made as in the loose leaf system.



### DIRECTIONS

Proceed to write the following transactions in the Day Book, using the form on page 73. If cash has been received or paid out, this should be carried to the Cash Book, as shown on pages 74 and 75. Study carefully the explanations given beneath the Cash Book forms. Open accounts in the General Ledger, allowing each account one third page: (*your name*), J. P. Shaw, Merchandise, Furniture and Fixtures, Horse and Wagon, Auto Truck, Bills Receivable, Reid, Murdock & Co., Steele, Wedeles & Co., W. M. Hoyt & Co., American Cereal Co., Chicago Biscuit Co., Sexton & Co., C. Jevne & Co., Cuneo & Garabaldi, Aetna Insurance Co., Cash Discount, Expense and Loss & Gain. In the Card Ledger you will open accounts for customers as the sales occur.

## TRANSACTIONS

191..

Sept. 1. I have this day embarked in the Retail Grocery business at 2205 Adams Street, City, with an investment of \$4000.00 in cash.

Make two D. B. entries, one a memorandum entry, the other an entry crediting yourself for the investment. (*See form, page 73*)

Also enter the investment in the C. B. (*See form, page 74*)

Post from D. B. to your credit in the general ledger.

" 1. Rented store at above address of George Brown. for 1 year at \$30 per month, payable in advance. Paid month's rent by by check.

D. B. and C. B. (*See form, page 75*)

" 2. Made the following purchases today, to make up a full line of goods for the store: Reid. Murdock & Co., City, 2%, 10 days, \$146.20; Steele, Wedeles & Co., City, 2%, 15 days, \$392.45; W. M. Hoyt & Co., City, \$793.51, 3% cash. Paid last bill in cash, less discount.

D. B., C. B. and L.

NOTE.—Make one D. B. entry for all the purchases, crediting each firm and post, and another debiting W. M. H. & Co., for the payment and post the cash and the discount as separate items to their account. Enter full amount of W. M. H. & Co's., bill on credit side of C. B. and cash discount on debit side, as though the entire amount had been paid out and the discount received in return.

" 3. Bought of Julius Bender & Co., City, store fixtures, for cash, \$50.

D. B. and C. B.

" 4. Made the following purchases for cash:

Bradner Smith & Co., paper and bags .....	\$8.00
Geo. E. Cole & Co., account books.....	9.80
Rogers & Co., printing order blanks.....	7.50
	<u>\$25.30</u>

D. B. and C. B.

" 5. We opened our store to customers this morning. Cash sales for today per cash drawer \$26.45.

C. B.

Credit sales were made today as follows: Henry F. Dever, 1745 Madison St., 3 bars American Family soap @ 5c; 2 doz. eggs @ 26c; 1 lb. butter 38c. S. H. Green, 546 Kedzie Ave., 5 lbs. sugar @ 6c;  $\frac{1}{2}$  doz. eggs @ 26c per doz; 2 pks. Uneeda biscuit @ 5c; 1 can baking powder 10c. Mrs. Charles Anderson, 892 Sacramento Ave., 1 pkg. pepper 25c; 2 lbs. citron @ 7c; 3 lbs. butter @ 38c; 1 pkg. figs 10c; 1 bar toilet soap 10c; 2 cans corn @ 12c; 2 cans peaches @ 15c. Arthur Zander

		Day Book		ITEMS	TOTAL
Sept. 1	-	(Your Name) has this day embarked in the Retail Grocery business at No 2205 Adams St (your city) investing cash \$4000			
" 1	-	(Your Name) By Cash as above	Cr		4000
" 1	-	Rented store at above address of George Brown for one year at \$30 per month payable in advance Paid September rent by check			30
" 2	-	Made the following purchases today per invoices on file:			
" 1	-	Reid Murdoch & Co 7/10	Cr		446.20
" 1	-	Steele Widdell & Co 7/15	Cr		392.45
" 2	-	W.M. Hoyt & Co 7/16	Cr		793.51
" 2	-	W.M. Hoyt & Co Dr Settled their bill of this date as follows			
		Amount of invoice		793.51	
		Less 3% for cash		23.81	769.70

191..

Sept. 5. 2307 Washington Boul., 2 sacks table salt @ 8c; 1 lb. raisins 15c; 5 lbs. dried apples @ 11c; 3 lbs. granulated sugar @ 6c; 2 lbs prunes @ 15c.

Make out Sales Slips in duplicate for the credit sales and have same checked by your teacher. He will retain the duplicates on behalf of the purchasers and you will post from originals directly to the card ledger. (See form, page 76)

Bought for cash of D. S. Jaffray & Sons, one horse for \$225; and a delivery wagon of Studebaker & Co., for \$165 cash; also of R. E. Race, for cash, 1 ton of hay \$15 and 10 bushel oats, \$4.

D. B. and C. B.

Close your cash book and bring down the balance (\$2742.45).

" 6. Cash sales today, \$43.





191-		<i>Cash</i>		<i>Cr</i>	
Sept	1	Expense	Paid September Rent	30 00	
"	2	W. M. Hoyt & Co.	Full of Invoice of 9/2	793 51	
"	3	Furniture & Fixtures	Bol of Julius Bender & Co.	50 00	
"	4	Expense	Sundries for D. B.	25 30	
"	5	Horse & Wagon	Bol Horse Jaffray & Sons	225 00	
"	5	"	Bol Wagon D. B.	165 00	
"	5	Expense	Bol of R. E. Race hay & oats	19 00	1307 81
"	6		Balance		2742 45
					4050 26

The right hand or Cr. side is used for payments of cash. The entries, of date, account, explanation and amount are made exactly as they are upon the Dr. side. The right hand column on both the Cr. and Dr. sides is used for totals. The difference between the two sides should be entered in red ink and represents the money on hand. The cash book is ruled up when closed, the same as an account in the ledger. The balance is brought down in black ink on the Dr. side in the total column.

191..

Sept. 9. Also paid for drayage on goods received today, \$3.

C. B.

Withdrew for private use, cash \$25.

D. B., C. B. and L.

Credit sales today: S. H. Green, 1 pkg. bird seed @ 20c; 2 bunches asparagus @ 22c; 1 pkg. matches 25c; 4 bars A. F. soap @ 5c; 3 pks. potatoes @ 14c; 3 pkgs. Quaker oats @ 10c; 2 cans salmon @ 25c. A. E. Busse, 1827 Lake St., 2 doz. eggs @ 26c; 5 lbs. G. sugar @ 5c; 1 wash board 35c; 2 lbs. starch @ 5c;  $\frac{1}{2}$  pk. apples @ 30c per pk; 2 lbs. coffee @ 35c. Sales Slips and L.

Paid Andrew Seng for putting in additional fixtures \$303.75.

C. B.

Mrs. Chas. Anderson has returned 2 cans of peaches bought by her on the 5th instant.

D. B. and C. L.

Credit sales: Henry F. Dever, 3 pkgs. soda crackers @ 10c; 2 lbs. starch @ 5c; 2 qts. oysters @ 37 $\frac{1}{2}$ c; 2 gals. K. oil @ 20c; 1 bu. potatoes 85c; 5 lbs. oatmeal @ 6c; 2 cabbages @ 18c.

" 10. Bought of Sexton & Co., invoice of goods amounting to \$175.60, gave cash for one-half; balance on account at 10 days.

Cash sales today \$146.50.

*Henry F. Dever*      *1745 Madison St.*      ACCOUNT NO.

DATE	ITEM	FOLIO	DEBITS	✓	CREDITS	BALANCE
<i>Sept. 5</i>	<i>Mdce</i>	<i>1</i>	<i>1 05</i>			<i>1 05</i>
<i>" 8</i>	<i>"</i>	<i>5</i>	<i>2 80</i>			<i>3 85</i>
<i>" 9</i>	<i>"</i>	<i>9</i>	<i>3 06</i>			<i>6 91</i>
<i>" 10</i>	<i>Cash</i>	<i>2</i>			<i>5 00</i>	<i>1 91</i>
<i>" 17</i>	<i>M.</i>	<i>22</i>	<i>2 49</i>			<i>4 40</i>
<i>" 20</i>	<i>M.</i>	<i>26</i>	<i>4 62</i>			<i>9 02</i>
<i>" 23</i>	<i>M.</i>	<i>31</i>	<i>4 80</i>			<i>13 82</i>
<i>24</i>	<i>C</i>	<i>2</i>			<i>10</i>	<i>3 82</i>

191..

Sept. 10. Received of S. H. Green cash in full, and of Henry F. Dever \$5 on account.

D. B., C. B. and C. L. Close Green's account. An account in the Card Ledger is closed by ruling double lines across the entire account, directly beneath the last entry. No footings are necessary.

Cash sales, \$65.10.

Credit sales: John H. Huell, 2322 Van Buren St., 6 lbs. raisins @ 13c; 1 broom 55c; 1 vanilla extract 25c; 2 lbs. Santos coffee @ 33c; 2 cakes chocolate @ 30c. Mrs. Chas. Anderson, 1 lb. Japan tea 50c; 2 pkgs. Uneda biscuit @ 10c; 1 can peaches @ 28c; 2 boxes sardines @ 18c; 1 brl. Ceresota flour \$7. S. G. Ort, 3 lbs. honey @ 32c; 2 bu. potatoes @ 75c; 5 lbs. lard @ 17c;  $\frac{1}{2}$  lb. cream cheese @ 24c;  $\frac{1}{2}$  gal. vinegar @ 42c per. gal; 1 brl. Pillsbury flour \$6.

Note: The use of sales slips may here be discontinued, if thought advisable,

to save time.

" 11. Bought vegetables and produce of farmers today for cash, \$9.75.

C. B.

Bought of C. Jevne & Co., City, an assortment of high class goods for our special trade, 1% 5 days, \$232.25.

D. B. and L.

191..

Sept. 11. Credit sales: Mrs. Charles Anderson, 1 2 lb. can blueberries 19c; 1 2½ lb. can raspberries 30c; 1 brl. Pillsbury flour \$6.50; 2 cans French peas @ 25c; 1 jar orange marmalade 23c; 2 pkgs. Nabiscos @ 15c. A. E. Busse, 4 pkgs. Graham crackers @ 10c; 1 pkg. Saratoga flakes 15c; 1 brl. Gold Medal flour \$7; 1 6 lb. pkg. Silver Gloss starch @ 9c per lb.; 2 cakes Ivory soap @ 7c; 6 cakes Naptha soap @ 5c; 1 pkg. lemonade straws 35c. John H. Huell, 1 bunch onions 5c; 2 lbs. butter @ 38c; 1 box berries 14c; ¼ pk. potatoes @ 80c per bu.; 2 lbs. Domino sugar @ 7c; 3 doz. eggs @ 22c; 2 lbs. egg biscuits @ 20c; 1 lb. ginger wafers 19c. Arthur Zander, ¼ doz. eggs @ 22c; 3 bars A. F. soap @ 5c; 1 can tomatoes 15c; 1 bunch celery 6c; 2 lbs. Gunpowder tea @ 60c; 5 lbs. Arabian Mocha coffee @ 39c; 1 bx. sardines 24c.

Cash sales today, \$44.85.

“ 12. Withdrew for private use cash \$12, and goods, \$3.50.

D. B., C. B. and L.

Cash sales, per drawer, \$51.60.

Bought of Julius Bender & Co., for cash, 4 chairs for the store at 90c each.

D. B. and C. B.

On examining the goods received from C. Jevne & Co. yesterday, we find the same short one case maple syrup, billed us at \$3.25. We have charged the same to their account.

D. B. and L.

Paid in cash bill of Reid, Murdock & Co., of the 2nd inst., less 2% discount.

D. B., C. B. and L.

“ 13. M. J. Bailey has just opened a restaurant in the neighborhood, 2200 W. Adams St. and we expect to be favored with his trade. He will settle his bills the first of each month. He has given us the following order which we have filled and delivered today: 1 carton Uneeda biscuit, 12 pkgs. @ 4c per pkg.; 1 gal. vinegar @ 50c; 6 cans peas @ 10c; 10 cans baked beans @ 9c; 4 cans corn @ 10c; 2 pkgs. Malta Vita @ 10c; 10 lbs. Navy beans @ 7c; 5 lbs. split peas @ 8c; 5 lbs. barley @ 6c; 20 lbs. Aunt Jemima pancake flour @ 10c; 1 10 lb. bag table salt 15c per bag; 2 pkgs. tooth picks @ 10c; 1 bunch bananas \$1.20; 6 pkgs. corn flakes @ 10c.

191..

- Sept. 13. Paid cash for circulars to be distributed in the neighborhood,  
\$4.40.  
C. B.

Cash sales per cash drawer, \$47.17, in which we find a counterfeit five dollar bill.

Enter full amount on Debit side C. B., and \$5 on Credit side.

Paid clerk hire, \$12 and withdrew for private use \$25 cash.  
D. B., C. B. and L.

Bought for cash produce from the farmers, \$17.75.

Credit sales: A. E. Busse, 2 bu. potatoes @ 85c; 1 box soap \$3.85; 2 pkgs. soda crackers @ 5c;  $\frac{1}{2}$  gal. cider @ 40c per gal.; 2 lbs. Java coffee @ 35c; 2 small brooms @ 20c; 2 bags table salt @ 10c. S. G. Ort, 4 lbs. Premium lard @ 15c; 1 bottle Snider's catsup 13c; 1 can olive oil 30c; 1 pkg. peppermint wafers 5c;  $\frac{1}{2}$  lb. Y. H. tea @ 80c per lb.; 3 lbs. Santos coffee @ 29c. Miss Helen E. Skinner, 2313 W. Adams St., 4 doz. eggs @ 22c; 10 lbs. granulated sugar @ 6c; 2 pkgs. matches @ 5c; 1 bag Ceresota flour 25c; 1 basket peaches @ \$1; 1 qt. cranberries 13c;  $\frac{1}{2}$  pk. apples @ 30c; 2 combs honey @ 25c; 1 bottle horseradish 20c; 1 tin plum pudding 23c; 1 glass current jelly 20c; 3 cans French peas @ 23c.

- " 15. You have decided to take in J. P. Shaw as a partner, he to invest cash equal to your present net capital. Articles of co-partnership have been signed and it is agreed that our books will be kept by Double Entry and the new firm will do business under the name of (*Student*) & Shaw.

Close the cash book and instead of bringing balance down, forward it to the next page, placing the amount in the Total Column. Submit on journal paper a list of accounts owing us entitled ("Schedule A") and another list of those we owe entitled ("Schedule B").

### RESULTS

Cash on hand per C. B. ....	\$2272.00
Accounts Receivable per Schedule A. ....	78.05
Accounts Payable per Schedule B. ....	885.30
Proprietor's Net Investment. ....	3934.50
Goods in Stock, per Inventory. ....	1967.32
Furniture and Fixtures. ....	357.35
Horse and Wagon. ....	390.00
Rent, paid in advance, 15 days unexpired. ....	15.00
Insurance Premiums, unexpired. ....	17.25

**CHANGING FROM SINGLE TO DOUBLE ENTRY**

To change our books from single to double entry it will not be necessary to disturb the accounts in the card ledger nor the accounts already opened in the general ledger. It is only necessary to open such additional accounts in the general ledger as are required to represent all the resources and liabilities of the firm.

The steps in making this change are as follows:

1. Take an Inventory of all properties on hand belonging to the business.
2. Make a statement of resources and liabilities, including the proprietor's account as a liability.
3. The difference between the resources and liabilities in the statement is the proprietor's net gain or loss. Post the net gain or loss to the proprietor's account, closing the latter with a balance. The balance will be his net capital or net insolvency.
4. In the general ledger open the additional accounts as shown in the statement.
5. Take a trial balance, including both ledgers and the cash balance.

**STATEMENT**

Statement of condition of (*your name*), Retail Grocer at 2205 Adams St., (*your city*), at the close of business, September 15, 191..

**RESOURCES**

Cash on hand per Cash Book .....	\$2271.80	
Accounts Receivable per Schedule A.....	78.15	
Merchandise per Inventory.....	1967.32	
Furniture and Fixtures per Inventory.....	357.35	
Horse and Wagon per inventory.....	390.00	
Expense Inventories:		
Rent paid in advance.....	\$15.00	
Unexpired Insurance Premiums....	17.25	32.25
		\$5096.87

**LIABILITIES**

Accounts Payable per Schedule B.....	\$ 885.30	
( <i>Student's</i> ) Net Investment.....	\$3934.50	\$4819.80
Credit ( <i>Student</i> ) with Net Gain.....		\$277.07

Dr		Cash		MDSE SALES		SUNDRIES	TOTAL
	191						
Sept 15		Bal. brot. foid					2271 80
" 15	5	J. P. Shaw Investment				4211 57	
" 16	3	Mrs. Anderson On acct				10 00	
" 16	6	S. L. Oct				7 50	
" 16	8	M. J. Bailey Inv Full				8 63	
" 16	✓	Mdse Sales Per Cash Drawer		89 65			
" 17	✓	" " " "		95 81			
" 18	3	Mr. Chas. Anderson Inv full				8 33	
" 18	7	A. E. Bussac On acct				10 00	
" 18	6	S. L. Oct				5 00	
" 18	✓	Mdse Sales Cash Sales		65 20			
" 19	✓	" " " "		24 65			
" 20	5	John H. Knell Inv 20%				1 06	
" 20	3	Mdse Sales				295 31	
" 20	✓	Total Receipts					4557 40
							6829 20

Items on the Dr. side of the cash book are posted to the credit side of their respective accounts in the ledger. In the "Mdse. Sales" column are entered all items of cash sales. The total of this column is extended into the Sundries column and posted to the credit of Merchandise account. The items in the Sundries column must be posted separately.

In case a note is discounted, always enter the face of the note on one side of the cash book and the discount upon the opposite side. Postmark each item as posted.

Where considerable cash is handled it is customary to close the cash book daily. When the trial balance is taken the balance of the cash book must be entered in the debit column.

Prepare a statement in the form given on page 79, copy into your Statement Book, followed by Schedules A. and B., and open accounts in the General Ledger with the impersonal resources and liabilities (for which you have already written the headings) and post from the statement all accounts not checked out. Post net gain to credit of your account and take a trial balance which you will copy into your Statement Book.

The change is now complete and we will continue the business, using the Order Book as a Sales Book, and we will retain the Cash Book.

An Explanatory Journal will take the place of the Day Book. The Cash Book will be modified by adding a Mdse. Sales column on debit side, and a Cash Discount column on the credit side. Cash items will now be posted directly from the Cash Book. The Ledgers will be retained and a Statement Book added.

*Cash**Cr*

				CASH DISCOUNT	SUNDRIES	TOTAL
Sept 16	1	Steel Wheels & Co.	Inv. 2nd met. 7/10	7 85	384 60	
" 16	3	G. Jones & Co.	Inv 11th met 7/10	2 29	226 71	
" 17	4	Expense	Electric Light		4 50	
" 17	4	"	Advertising		3 60	
" 17	4	"	Postage		1 00	
" 17	3	Merchandise	Produce from Farmers		13 50	
" 18	1	Read Murdoch & Co.	Inv 8th 7/10	2 52	123 28	
" 18	2	Amesbury Co.	" " net		34 75	
" 18	2	Chicago Biscuit Co.	" " 7/10	31	15 19	
" 19	3	Horton & Co.	Bal. Inv 7/10		87 80	
" 19	5	Cunco & Garbaldi	Inv 7/10 7/10	33	16 17	
" 20	4	Expense	Student's Salary		25 50	
" 20	4	"	Club Hire		12 00	
" 20	6		Cash Discount	13 30		
" 20	✓		Total Payments			948 10
" 20	✓		Balance			551 10
						6829 20

Items on the Cr. side of the cash book are (ordinarily) posted to the debit side of their respective accounts in the ledger. Since it is customary with most firms to discount their bills, a "Cash Discount" column is desirable. The discount is entered in the Cash Discount column and the net amount of the bill in the Sundries column. Post first the cash discount to the debit of the creditor's account in the ledger, then post the actual cash paid.

When the cash book is closed the Cash Discount column should be footed, but the total should not be added to the Sundries column, or carried into the Total column, because it is not cash paid out. The total cash discount should be credited to the Cash Discount account in the ledger.

191..

Sept. 15. Received Mr. Shaw's check for his investment equal to your present net capital. The partnership agreement provides for an equal sharing of gains and losses and a salary of \$25 per week to you as you are to devote all your time and attention to the business. The firm is to endure for five years. Memorandum entry in Journal and C. B. entry. Open an account with Mr. Shaw and post from C. B.

" 16. Payments received from customers:

Mrs. Charles Anderson on account,	\$10.00
S. G. Ort on account,	7.50
M. J. Bailey in full of account,	8.63
C. B. and post to C. L.	



191..

- Sept. 16. Paid Steele, Wedeles & Co's bill of the 2nd inst. less discount offered; also discounted Jevne & Co's bill of the 11th inst. less goods returned on the 12th inst., taking advantage of their discount on the balance.

For the above transactions make only C. B. entries and post twice to each personal account,—once for the discount, and once for the proceeds. In recording disbursements put net amount in the Sunds. column and discount in Cash Discount column on the same side of the C. B.

Receipts from customers will be entered on Dr. side of the C. B. in Sunds. column.

Cash sales for today \$89.65.

C. B., Mdse. Sales column and check the item in Folio column.

Received invoices of goods today as follows: Cuneo & Garabaldi, 2% 3 days, \$16.50; C. Jevne & Co., 1% 5 days \$44.50; Steele, Wedeles & Co., 3% 10 days, \$125.16; Sexton & Co., 1% 10 days, \$45.60.

Journalize and post.

- “ 17. Credit sales: Lewis H. Smith, 3624 VanBuren St., 1 brl. Cere-sota flour \$7.50;  $\frac{1}{2}$  bu. peaches \$1; 3 lbs. E. C. Butter @ 32c. Henry F. Dever, 2 lbs. Santos coffee @ 30c; 4 doz. eggs @ 26c; 1 doz. oranges 25c; 5 lbs. granulated sugar @ 6c; 1 can maple syrup 30c. Arthur Zander, 3 doz. eggs @ 26c; 1 lb. citron 8c; 1 large can baking powder 25c; 1 box A. F. soap \$3.85; 2 lbs. loaf sugar @ 7c; 1 bu. potatoes 85c; 1 can Salmon 25c; 2 qts. oysters @ 37 $\frac{1}{2}$ c. Total sales \$\*\*\*\*.

Dr. the customers in the card ledger and journalize the total sales: “Sales Ledger To Merchandise, Credit sales per duplicate bills on file” Check the Debit and post the credit in the general ledger.

Cash sales per cash drawer \$95.81.

C. B.

Paid out cash for electric light \$4.50; advertising \$3.60; postage \$1.

C. B. entries and post. Debit Expense.

Bought produce of farmers \$13.50.

C. B.

- “ 18. Mrs. Anderson settled her account to date, A. E. Busse has paid \$10 on account, and S. G. Ort \$5.

C. B.

Discount invoices of Reid, Murdock & Co., and Chicago Biscuit Company, all of the 9th inst.; also settle invoice of American Cereal Co., of that date.

Sales per cash drawer, \$65.20.

191..

Sept. 19. Credit sales: Lewis H. Smith, 1 bottle catsup 22c; 2 cans sardines @ 14c; 1 large bottle Queen olives 48c; 1 pkg. cream of wheat 14c; 1 box Jap. toothpicks 5c; 2 bars toilet soap @ 15c. Henry W. Robbins, 848 N. Robey St., 1 bri. flour \$7.50; 5 lbs. sugar @ 6c; 2 lbs. E. C. Butter @ 32c; 5 lbs. Java coffee @ 30c; 2 bars Jap Rose soap @ 10c.

Dr. customers in ledger and journalize the total credit sales of the day.

Sales per cash drawer \$44.65.

We have paid the balance due on Jas. Sexton & Co's., bill of the 10th inst., of \$\*\*\*\*.\*\*\*; also bill of Cuneo & Garibaldi of the 16th inst., less discount.

Arthur Zander has given us his 30 day note at 6% in full of account.

Journal and ledger.

“ 20. Our clerk has made out bills for the following credit sales: Henry F. Dever \$4.62; S. G. Ort \$1.38; A. E. Busse \$4.65; H. W. Robbins \$3.98; Charles W. Fuller, 3600 Van Buren St., \$3.65. Total sales \$\*\*\*\*.

Charge them in the Card Ledger. Journalize total sales for the day and post credits to General Ledger.

John H. Huell, one of our customers, has gone into bankruptcy. The receiver has this day paid a 20% dividend to the creditors. The balance of the account is lost.

C. B. and journal.

Drew my salary for the week, \$25., and paid the clerk his wages, \$12.

Close your C. B., post your work and submit your books with a trial balance to your instructor.

“ 22. Discount the bill of C. Jevne & Co.. of the 16th inst., at 1%.  
C. B.

We had a fire in our store last night and suffered a loss of \$398.00 on our stock, and \$150.00 on fixtures. We have filed the necessary proofs with the Aetna Insurance Company.

Journal and post.

Ordered and received of Steele, Wedeles & Co., a new stock of goods for \$1342.20 on which we are offered a special cash discount of 3%.

Discount the bill at once. Journal, C. B. and General Ledger.

NOTE: Even though this transaction is cash, it is best to journalize the sale so as to show the transaction fully in the ledger.

191..

Sept. 22. Sales per cash drawer \$39.85.

" 23. Bought new counters and shelves of Julius Bender & Co., for cash, \$285.

Traded our horse and wagon for an auto delivery truck, we paying cash in addition, \$410.

Journal C. B. and General Ledger.

Paid garage rent for the month, \$5.

Credit sales per duplicate sales slips: Henry F. Dever \$4.80; S. G. Ort \$6.75; Lewis H. Smith \$3.89; Henry W. Robbins \$5.30; Miss Helen E. Skinner, 2313 W. Adams St., \$4.65.

Total \$\*\*\*.

C. L. and Journal.

Sales per cash drawer, \$47.28.

" 24. Cash receipts from customers: Henry F. Dever, on account, \$10; Lewis H. Smith \$5; Chas. W. Fuller, in full, \$\*.\*.\*.

C. B. and C. L.

Sold postage to a customer, 10c.

C. B. and G. L.

Sales per cash drawer, \$56.40.

The partners have agreed to reduce their investments and each has withdrawn cash \$1000.

C. B. and G. L.

" 25. Arthur Zander has taken up his note. We waived the interest.

C. B. and G. L.

Bought for cash, produce of farmers, \$15.

" 26. Discounted bills of Sexton & Co., and Steele, Wedeles & Co., both of the 16th instant.

Aetna Insurance Company has remitted check in full of our fire loss, \$\*.\*.\*.

Cash sales for today, \$41.65.

Receipts from customers: S. G. Ort, on account, \$10; Henry W. Robbins, on account, \$15; Lewis H. Smith in full \$\*.\*.\*.

Purchases: American Cereal Co., 1% 5 days, net 10 days, \$65.50; Chicago Biscuit Co., 2% 10 days, \$18.20; Sexton & Co., 1% 10 days, \$226.80.

Journal and G. L.

191..

Sept. 27. Withdrew my salary, \$25. and paid \$12 for clerk hire.

Close your cash book. Post, rule up all accounts which balance, and take a trial balance.

Enter the following inventories below your trial balance.

Merchandise on hand, per inventory.....	\$3232.57
Furniture and Fixtures " " .....	475.00
Auto Truck.....	800.00
Expense Inventory	

Unexpired Insurance.....	16.50
--------------------------	-------

Close your books and make out financial statement, appending schedules for Accounts Receivable and Payable. Student's net capital \$3330.36; J. P. Shaw's net capital \$3330.35.

Submit all your books for approval.

### QUESTIONS FOR REVIEW

1. Define a trade discount and state why it is used. When should it be deducted?
2. Explain how a discount of 50, 30 and 20% should be taken off. Will anything remain of a bill of \$100.00?
3. Distinguish between a bill or invoice and a statement of account.
4. What is a cash discount? When should it be deducted?
5. When should a monthly statement be rendered and what should it show?
6. What is the best form of distant remittance?
7. In making a distant remittance for what two reasons is the bank draft to be preferred to the check?
8. In whose favor would you buy a bank draft if you were paying a bill of a distant creditor?
9. What should be done with the draft in that case before sending it away?
10. What should accompany every check or draft when remitted?
11. What is single entry bookkeeping?
12. Wherein does single entry differ from double entry?
13. To what lines of business is single entry adaptable?
14. What is an order book and how is it used?
15. Explain the Envelope System.
16. Define the day book, and explain the form of its entries.
17. How is the cash book used in single entry?. Name the different columns and purpose of each.
18. Explain how the cash book is balanced up and state what the final result represents.
19. Define the loose leaf ledger and state the primary object of the classification of accounts into "Current" and "Transferred."
20. What is a card ledger?
21. What is the object of a special merchandise sales column on the debit side of the cash book? How is it posted?
22. Explain the purpose of the cash discount column on the credit side of the cash book and state how its items and totals are posted.
23. Why is no cash discount column used on the debit side of the cash book in this set?
24. How should cash discounts be entered when no special column is used in the cash book?
25. What are the five steps in changing from single to double entry?

## DUTIES OF A SHIPPING CLERK

A **Shipping Clerk** is one whose duty is to see that goods ordered by customers are packed, classified and routed so as to secure the best freight rates, and promptly forwarded.

In large houses the shipping clerk has under his direction, packers, checkers, truckmen and other help that may facilitate in getting the goods under way. He may act as stock clerk and have charge of the actual filling of the orders. He is then assisted by others who select and assemble the goods.

**Freight Classification.** For the purpose of fixing the freight charges, goods are assigned to certain classes, the rates varying according to the class. In making these classifications, railroads take into account the condition of the article, whether crude, rough, or finished, liquid or dry, knocked down or set up; whether the article is perishable, the space it occupies, its value, weight, etc.

The manner in which the goods are packed for shipment frequently affects the class, resulting in a higher or lower rate. Thus, if boxed, the goods may cost less to ship than if crated. The higher the class the more the rate. The classifications are made by committees of railroad men and schedules of rates are prepared by them, subject to revision by the Interstate Commerce Commission, a department of the government which passes on questions arising through commerce carried on between the states.

The freight tariffs are kept on file at each freight office, for the information of the public.

**Filling the Orders** is carried on in the stock department unless there is no special department for this purpose.

Where the goods are in different parts of the establishment two copies of the order may be provided the shipping clerk. One of these is cut into parts, the slips being sent to the stockmen in the different parts of the house. Each stockman fills his part of the order and sends the slip with the goods to the shipping room where the goods are assembled and checked against the shipping clerk's copy of the order.

**Back Orders** result from shortages encountered in the stock when the order is being filled. The orders are filled as far as possible and the customer advised that the back order will follow as soon as the goods can be obtained. The items which are short should be entered on a new order, and are then called a Back Order.

Back orders are issued in duplicate, one for the shipping clerk, the other for the office. The latter is to follow up the order. When the goods arrive the shipping clerk is notified at once, the order is filled, and his copy of the back order is turned in at the office.

**Checking Shipments** is a process for determining whether the goods assembled in the shipping room correspond to the customer's order. The items are called off by the *packer* and at the same time checked off the or-

der by the *checker*. Initials of both should appear on the shipping order.

The goods should be checked at every stage of the filling of the order, and by every one who takes a part in making it up, in order to reduce complaints of shortage to the minimum. All orders are properly routed before going to the bill clerk or billing machine operator for entry.

**Routing Shipments** consists in determining the route or railroad over which the goods can be shipped to best advantage. The rate between two points is not the same regardless of route. One may be shorter than the other.

In cases of interstate shipments the law provides that the rate shall not be higher for the shorter of two hauls between the same point. In routing, the shipping clerk should also take into account the location of his customer with reference to the freight houses at destination, and ship by the road that will set the goods down at the most convenient point. This will save the customer on his cartage charges. If the customer designates what road he wants the goods shipped by, his wishes should be carried out. In routing the shipment a bill of lading is made out by the shipping clerk.

**A Bill of Lading** is a document which serves a dual purpose: First, it is a carrier's receipt for the goods; second, it is a contract to deliver at destination, whether that point is on the carrier's line or not.

Considerable difficulty has arisen in the past between carriers and shippers because of the varying forms of bills of lading in use. The Interstate Commerce Commission corrected this evil by prescribing a uniform bill for all railroads in the United States. Two forms were prescribed; a "straight" bill of lading, and an "order" bill of lading.

**The Straight Bill of Lading** (non-negotiable) is used in the case of ordinary sales where delivery to the consignee is not conditioned on payment of the purchase price. This form is prepared in triplicate: First, the **Original Bill of Lading**, signed by both shipper and carrier, and which the consignor mails to the consignee; second, the **Shipping Order**, or duplicate, which is signed by the shipper only and which constitutes the railroad company's instructions and record; third, the **Memorandum**, or triplicate, which is the shipper's record and is signed by the railroad company.

**The Order Bill of Lading** (negotiable) is the second form prescribed by the Interstate Commerce Commission. The "order" bill of lading is made out to the shipper's own order, not to the consignee, but the bill of lading provides for notice to the consignee of the arrival of the goods. These bills of lading may be negotiated by endorsement to the consignee or other persons designated by the shipper, or as is most common, are usually endorsed by the shipper in blank. The goods will only be delivered by the transportation company only upon surrender of the bill of lading properly endorsed. In C. O. D. freight transactions the "order" bill of lading is always used, while in the ordinary credit sale, the "straight" bill of lading is used.

Uniform Bill of Lading—Standard Form of Straight Bill of Lading approved by the Interstate Commerce Commission by Order No. 787 of June 27, 1906.



# **MICHIGAN CENTRAL RAILROAD COMPANY**

**STRAIGHT BILL OF LADING—ORIGINAL—NOT  
NEGOTIABLE.**

 Shipper's No. 16874

 Agent's No. 3926

RECEIVED, subject to the classifications and tariffs in effect on the date of issue of this Original Bill of Lading.

 at Chicago, Ill. 12/27 191,

 from James Sexton & Co. the property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned, destined as indicated below, which said Company agrees to carry to its usual place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof) and which are agreed to by the shipper and accepted for himself and his assigns.

The Rate of Freight from

to <u>is in Cents per 100 Lbs.</u>										IF Special Per	IF Special Per
IF Times 1st	IF 1st Class	IF 2d Class	IF Rule 2d	IF 3d Class	IF Rule 2d	IF Rule 2d	IF 4th Class	IF 5th Class	IF 6th Class		

(Mail Address—Not for purposes of Delivery)

 Consigned to James Sexton & Co.

 Destination St. Cloud State of Minn. County of

Route Car Initial Car No.

No. Packages	DESCRIPTION OF ARTICLES AND SPECIAL MARKS	Weight (Subject to Correction)	Class or Rate	Check Column	If charges are to be pre- paid, write or stamp here, "To be Prepaid."  Received \$ to apply in prepayment of the charges on the property described hereon.  Agent or Cashier.  Per. (The signature here acknowl- edges only the amount prepaid.)  Charges advanced:  \$
1	Bx. Canned Vegetables	65			
1	Bx. Groceries	29			
1	Bx. Soap	65			

 James Sexton & Co. Shipper. A. N. Hill Agent.  
 Per W.S. Per

(This Bill of Lading is to be signed by the Shipper and Agent of the Carrier (assuming same).)

## LESSON XXII

### WHOLESALE

**A Jobber** is one who buys and sells goods in large quantities.

The jobber usually buys direct from the manufacturer, and in turn, sells to the wholesaler.

**A Wholesaler** is one who buys goods in large quantities from the manufacturer or jobber, and sells in smaller quantities to retail merchants only.

Since wholesale merchandising usually embraces a considerable volume of business, it requires a system of records peculiar to itself; a system which, with slight modifications, is used in nearly all lines of that trade.

We have chosen the jewelry business as convenient to illustrate wholesale accounting in this lesson.

**The Invoice Book.** Invoices are entered in the Invoice Book, and the amount posted to the credit of the person or firm from whom bought in the Purchase Ledger. The total purchases for the month is charged to a "Merchandise Purchase Account."

Some firms post directly from the original invoices, using a Recapitulation Sheet to obtain the totals for the month. The invoices are held in a current file until statements of account are received at the end of the month. They are then checked off on the statements and filed alphabetically in a file provided for that purpose. The Recapitulation Sheet consists of ruled columns for dates and amounts, to aid in totaling the business of the month.

The usual terms of manufacturers, wholesalers and jobbers in the jewelry business, are net 30 days. Special arrangements are sometimes made for 60 days or 90 days credit. When a 5 per cent. cash discount is quoted, "spot cash" is not meant, but the discount may be taken advantage of in 30 days.

**The Purchase Ledger** contains only accounts of those from whom we buy. The aggregate of the accounts in the Purchase Ledger is represented by a "Purchase Ledger Controlling Account" kept in the general ledger.

A loose leaf ledger, (one sheet for each account) is commonly used for the Purchase Ledger, consisting of two binders,—one for current accounts, and one for transferred or settled accounts. However, when the purchase accounts are not numerous they may be kept in the General Ledger, and that you will do in this set.

**Sales.** The terms of credit and payment on which sales to retail houses are made, vary somewhat, but 6% 10 days, 5% 30 days, 3% 90 days, net 4 months, is common, and may be considered "regular."

In working out this set, unless otherwise specified, you will make your sales on these terms.



**Credit Man.** As orders are received and entered, unless accompanied by the cash, they are referred to the "credit man" whose duty it is to pass upon the financial responsibility of customers. If he considers the customer good, he OK's the order.

**Order Register.** All orders are entered in an Order Register and given a number.

By this record orders can be traced and each one is required to be accounted for. As the orders are filled, that fact is noted in the register.

**Order Sheet.** Salesmen and customers are supplied with "Order Blanks," and should any order be in the form of a letter, it is transcribed on an order blank for the sake of uniformity in filing.

JUDSON, MOORE & CO.						Order Folio
No. <u>856</u>	CINCINNATI, OHIO	Salesman <u>W W. Schmauch</u>				1126
Date Sold <u>March 17, 19—</u>	Sold to <u>Larson &amp; Son</u>				Date Billed	3-18—
Town and State <u>Brookville, Ind</u>	P. O. <u></u>				Ledger Folio	157
Ship Via <u>American Express</u>	When <u>At once</u>					
Terms <u>10 days</u>	Amount Enclosed <u></u>					

Page	No.	Quantity Desired	NAME OF ARTICLE	Printed Catalogue Price		LEAVE THIS COLUMN BLANK	
60	4510	1	Elgin Movement 18 size 17 jewel Htg	20	00		
61	4520	1	" " 18 " 17 " Htg	24	00		
25	1777	1	Boss 18 size 25 yr Htg Case	28	00		
26	1784	1	Boss 18 " 25 yr Htg Case	28	00		
168	4234	1	Signet Ring size 8½	19	00		
160	4250	1	" " " 9	15	00		
184	5384	1	Brooch	17	50		
185	5392	1	Brooch	15	50		
190	6301	1	Bracelet	20	00		
192	6305	1	Bracelet	10	00		
302	8023	1	Traveling Set	12	50		
				209	50		
			Less 50 and 25%	130	94	78	56

When an order has been OK'd by the credit man, it is referred to the buyer of the

house, so that in case any of the goods are not in stock, they may be ordered from the manufacturers at once. The order sheets are next sent to the different departments to be filled. When filled they are returned to the office, amounts extended, and then are bound together in numerical order and posted directly to the accounts of the customers without journalizing the sales. For the purpose of obtaining the total sales recapitulation sheets are used, the form of which would be as follows:

MONTH OF \_\_\_\_\_

L. F. \_\_\_\_\_

**SALES RECAPITULATION SHEET.**

SHEET NO. \_\_\_\_\_

L. F. \_\_\_\_\_

Date	Order No.	Amount	Date	Order No.	Amount	Date	Order No.	Amount	Date	Order No.	Amount
	<i>For'd</i>			<i>For'd</i>			<i>For'd</i>			<i>For'd</i>	

The Bill and Charge System, or duplicate billing system, is used extensively in wholesale houses. An original and duplicate of the bill are made on the typewriter, the original being sent to the customer, while the duplicate constitutes the itemized sales record, and is preserved in a sales binder.

Under this system the bills are numbered, and posting is frequently done directly from the duplicates, and not from the order blanks.

**INVOICE BOOK**

Date	Inv. No.	L F	Name	Address	Terms	Amount
Jan.	2	1	S. O. Bigney & Co.	Attleboro, Mass.	Trade 20% 5/c	370 40
"	6	2	Jas. E. Blake & Co.	Providence, R. I.	5/c	437 00
"	10	3	D. F. Briggs & Co.	Attleboro, Mass.	Trade 25% 4/10ds	483 75
"	15		Total Purchases			1291 15

The date should be the date of the invoice and not the date of the entry. The amount should be entered after all trade discounts are taken off, and before the deduction of cash discounts.

**SALES BOOK**

Date	No.	L F	Name	Address	Terms	Total
Jan.	8	1	Larson & Son	Brookville, Ind.	Trade 50 & 25% n/10ds	78 56
"	9	2	Birch Hardware Co.	Earlville, Ind.	Trade 50% 6/30 ds	58 22
"	13	3	Friest and Geis	Dwight, Ill.	Trade 50% 6/nc	138 92

When this book is used, the order blank or duplicate bill binders are auxiliary, the posting being done from the Sales Book. In working out this set, we will post from the Sales Book instead of from the order blanks, or duplicate bills.

Dr.

**CASH**

Date	10	L F	ACCOUNT		SALES LEDGER		Sundries
			Name	Explanation	Cash Disc.	Net	
Jan.	2		Edwin B. North	Investment			15000
"	9		Walter C. Fisher	"			7663 74
"	9		Birch Hardware Co.	On acc't. sale No. 2		25 00	
"	13		Fries & Geis	Sale No. 3—6%	8 34	130 58	

When a customer pays a bill, or makes payment on account without taking advantage of the discount, or at too late a date to take advantage thereof, the amount of his payment will be entered in the "Net Sales Ledger" column and posted to the credit of his account in the Sales Ledger. Should he take advantage of the discount the amount of such discount will be entered in the Cash Discount column and the net amount on the same line in the Net column. In posting he will be credited first for the discount and then for the net amount. Receipts from all other sources will be entered in the Sundries column, and posted separately to the proper accounts in the general ledger.

The total of the Cash Discount column will be posted to the debit side of the Cash Discount Account and to the credit side of the Sales Ledger Controlling Account in the general ledger, but will not be added to the total receipts as it does not represent receipts of cash. The Net column will be footed and the total carried into the Sundries column, from which it will be posted to the credit of the Sales Ledger Controlling Account.

**BILLS**

Date Rec'd	Our	L F	Maker or Acceptor	In Favor of	Where Payable	Received For
10	No.					
Jan. 2			Geo. F. Craig & Co.	Walter C. Fisher	First Nat Bank	W. C. Fisher
" 2			Miller, Walker & Co.	" " "	Our Office	" "

The bill books may be either principal or auxiliary. When the Bills Receivable book is a principal book its items are posted directly to the credit of the accounts producing the notes, with the explanation "Bills Receivable No.\_\_\_\_" The footing being posted to the debit of Bills Receivable account in the ledger, the explanation being "Sunds."

**BILLS**

Date Given	Our	L F	Maker or Acceptor	In Favor of	Where Payable	Given For
10	No.					
Oct. 1			Walter C. Fisher	First Nat Bank	First Nat Bank	W. C. Fisher
Dec. 15			" "	J. A. Stephens	Our Office	" "

If the Bills Payable book is a principal book its items are posted directly to the debit of the accounts incurring the obligations, explanation "Bills Payable No.\_\_\_\_," while the total is credited to the Bills Payable account, explanation "Sunds."

## BOOK

Cr.

Date 19	L F	Name	ACCOUNT Explanation	Expense	Cash Discount on Purchase	Sundries
Jan 2		Expense	January Rent	150		
" 2		S. O. Bigney & Co.	Express on Inv. $\frac{1}{2}$			1 50
" 3		S. O. Bigney & Co.	Inv. No. 1—5%		18 52	350 38
" 4		Expense	Membership in Dunn's	100		

Items of expense are generally frequent and for this reason a special column is provided for the account on the credit side of the cash book. All items of expense will be checked in the ledger folio column and the total expense will be posted to the debit of the Expense account in the general ledger.

When we pay for a bill of goods and do not take advantage of the discount, the amount of the payment will be carried into the Sundries column. Should we take advantage of the discount, however, the deduction will be entered in the Cash Discount column, and the net amount in the Sundries column. In the latter case, two postings will be required to the creditors account in the general ledger, one for the discount and one for the cash. The footing of the Expense column will be carried into the Sundries column so as to be included in the total payments, but the footing of the cash discount column will not be added to the payments.

## RECEIVABLE

Date of Paper 19	Time	Int. Rate	WHEN DUE												Face	Am't of Int.	Amount	When	DISPOSED OF Now																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
			Year	Feb	Jan	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov						Dec																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
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Sight drafts should not be entered in the bill books but acceptances are entered the same as promissory notes. As the paper is paid that fact should be recorded under the head of "Disposed Of" on the right hand page. The unpaid notes should agree in total with the Bills Receivable account.

## PAYABLE

Date of Paper			Time	Int. Rate	Year	WHEN DUE												Face	Am't of Int.	Amount	When	REDEEMED	
19						Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec					Now	
Oct.	1	1-10	5			10											2500	35 07	2535 07	1-10-	Paid in Cash		
Dec.	15	1m	6			15											1000						

When the bill books are treated as auxiliary books, they are not posted from, the notes and acceptances being journalized. Such will be our method in this set.

**Explanatory Journal.** Into this will be entered all transactions of an exceptional nature, or such as cannot well be recorded in the other books of account.

The **General Ledger** is a book in which the financial and revenue accounts of the business are kept, not including, however, accounts receivable and payable. It is usually a bound book in the ordinary ledger form.

The **Purchase Ledger** is a record of personal accounts payable. Where the accounts are not numerous they may be kept in the general ledger, otherwise, it is advisable to aggregate them in a purchase ledger, keeping a "Purchase Ledger Controlling Account" in the general ledger. Whenever items are posted to the individual accounts in the purchase ledger, their aggregate is posted to the controlling account in the general ledger.

The difference between the two sides of the controlling account shows our aggregate indebtedness on personal accounts and this difference should agree with the total of the customers' accounts in the purchase ledger.

Inasmuch as the accounts payable in this set will not be numerous we will not use the purchase ledger but keep such accounts in the general ledger.

A **Sales Ledger** is a book of personal accounts receivable. It is represented in the general ledger by a "Sales Ledger Controlling Account" which is kept on the same principle as the Purchase Ledger Controlling Account.

In this set you will keep the accounts of your customers in a Sales Ledger and a "Sales Ledger Controlling Account" in the general ledger.

### LEDGER HEADINGS

**General:** Edwin B. North, Walter C. Fisher, and Capital Stock, page 1. Good Will, Organization Expense, and Goods in Stock, page 2. Furniture and Fixtures, Catalogue, and Bills Receivable, page 3. Bills Payable, Interest and Discount, and Collection and Exchange, page 4. Parcel's Postage, Expense, and Traveling Expense, page 5. Freight and Drayage, Insurance, and Sales Ledger Controlling Account, page 6. Carl H. Winter, Salesman; Bruce Mitchell, Salesman; Discounts on Purchases, page 7. Discounts on Sales, Merchandise Purchase, and Merchandise Sales, page 8. S. O. Bigney & Co., Attleboro, Mass., Martin-Copeland Co., Providence, R. I., and Goldsmith, Stern & Co., New York, N. Y., page 9. S. & B. Lederer, Providence, R. I., Waltham Watch Co., Waltham, Mass., and James E. Blake & Co., Providence, R. I., page 10. D. F. Briggs & Co., Attleboro, Mass., Foley & Williams Mfg. Co., Cleveland, Ohio, and Koch Cut Glass Co., City, page 11. Trading Account, Loss and Gain, and Undivided Profits, page 12.

**Sales Ledger.** To be opened as required during posting.

## TRANSACTIONS

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- Jan. 2. Edwin B. North and Walter C. Fisher, have entered into a co-partnership agreement to engage in the wholesale jewelry business at 37 South Wabash Ave., Chicago. Ill., under the firm name of "North & Fisher." The partners have agreed to devote all their time and attention to the business and are each to receive a salary of \$35.00 per week as managers of the business.

The firm has also engaged Carl H. Winter and Bruce Mitchell as traveling salesmen at \$100.00 per month each and traveling expenses. Make memorandum entry in your Journal.

- " 2. Mr. North invests \$15000 in cash and checks. Mr. Fisher, who has been conducting the business as a proprietor at the above address, invests as follows: His stock of jewelry inventoried at \$9780.50; furniture and fixtures valued at \$1200; notes as follows: One dated Nov. 25th last year, due four months after its date, signed by George F. Craig & Co., Forestville, Ohio, for \$500, with interest at 6%; another dated Dec. 12th, last year, drawn at 90 days, signed by Miller, Welker & Co., Wayneboro, Pa., for \$250 without interest; both notes have been endorsed over to the firm and are payable at our place of business; also accounts receivable as follows: Larson & Son, Brookville, Ind., \$224.10; Seymour Bros., Hamburg, Ia., \$89.50; Crandall Lumber and Hardware Co., La Grange, Ky., \$398.25; Marseilles Co., Farmersville, La., \$144.40; John Sedwick, Brookston, Ind., \$298.14; Salmon & Wilson, Newport, N. H., \$85.65; Boe Bros., Findlay, Ohio, \$414.45; J. G. Bromberg, Schuyler, Neb., \$125.64.

The new firm assumes liabilities of Mr. Fisher, as follows: Mr. Fisher's note of \$2500.00, dated Oct. 1, last year, due Jan. 10, this year, interest 5%, favor of and payable at First National Bank, this city; his note of \$1000.00 dated Dec. 15, last year, due one month after its date with 6% interest, favor James A. Stephens, payable at our present address; also the following accounts payable: S. O. Bigney & Co., Attleboro, Mass., \$865.42; Martin-Copeland Co., Providence, R. I., \$95.80; Goldsmith, Stern & Co., New York City, N. Y., \$18.22; S. & B. Lederer Co., Providence, R. I., \$75.50; Waltham Watch Co., Waltham, Mass., \$1622.60.

On the Craig & Co. note Mr. Fisher is to be allowed accrued in-

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- Jan. 2.     **terest, while the Miller, Welker & Co. note is invested at its face; nor is any deduction to be made on the accounts receivable. Mr. Fisher is to be credited for the assets of the old business less the liabilities assumed, and he invests a cashier's check to make his total investment equal that of Mr. North.**

**Gains and losses are to be shared equally.**

Make memorandum entry in journal giving history of this transaction in narrative form; also make journal entry for the debits and credits, including the cash of both partners. Check the cash in L. F. column of the Journal. Make Cash Book entries for the entire investment of Mr. North and for so much of Mr. Fisher's investment as was cash and check these two items in the L. F. column. Enter the notes in Bill Books.

- “ 2.     **Paid January rent in cash, \$150.00.**
- “ 2.     **Bought of S. O. Bigney & Company, Attleboro, Mass., subject to trade discount of 20% and cash discount of 5%, the following goods: 3 doz. Chains, No. 1425, @ \$12.00 per doz.; 2 doz. Chains, No. 1427, @ \$18.00 per doz.; 2 doz. Chains, No. 1465, @ \$19.00 per doz.; 1 doz. Chains, No. 1439½, @ \$25.00 per doz.; 2 doz. Fobs, No. 1843, @ \$14.00 per doz.; 2 doz. Fobs, No. 1739, @ \$16.00 per doz.; 2 doz. Fobs, No. 1743, @ \$18.00 per doz.; 2 doz. Fobs, No. 1745, @ \$20.00 per doz.; 1 doz. Fobs, No. 1748, @ \$25.00 per doz.; 2 doz. Charms, No. 2002, @ \$15.00 per doz.; 3 doz. Locketts, No. 2004, @ \$12.00 per doz.; 1½ doz. Locketts, No. 2006, @ \$8.00 per doz.; 1 doz. Brooches, No. 2008, @ 18.00 per doz.; 1 doz. Scarf Pins, No. 2010, @ \$20.00 per doz.; 2 doz. Scarf Pins, No. 2013, @ \$12.00 per doz.; 1½ doz. Scarf Pins, No. 2018, @ \$18.00 per doz.**

The numbers given in the above purchase are the numbers by which the goods are designated in the manufacturer's catalogue. Figure out this bill (taking off the trade discount only) for the purpose of ascertaining the amount to be entered in the Sales Book, and then make your Sales Book entry. Bills should always be entered in the Sales Book after the deduction of trade discount, but before the deduction of the cash discount.

**Paid express charges on above, \$1.50. The shipper has agreed to pay express charges on shipments made to us.**

Charge them with the same on the credit side of your Cash Book. This is called "charging back" the express charges.

- “ 3.     **Settled invoice of S. O. Bigney & Co., of yesterday, in cash less discount and express charged back.**  
       Take off the discount first, then deduct express charges from net amount of bill.
- “ 4.     **We have taken a membership in the mercantile agencies, R. G.**

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- Jan. 4. Dunn & Company, and The Bradstreet Company, at \$100 each; also a membership in the Jewelers' Board of Trade, \$75; paid the membership fees in cash.  
Make three cash book entries, debiting Expense.
- " 5. Purchased of A. H. Andrews & Company, for cash, additional office furniture and fixtures, \$350; also of Hall Safe & Lock Company for cash, four safes at \$150 each.  
C. B., two entries.
- " 5. Advanced our salesmen \$25.00 each on account of traveling expenses.  
Debit each salesman, personally.
- " 6. Bought of James E. Blake & Co., Providence, R. I., the following, less 5% for cash: Two doz. Manicure Sets, No. 743, @ \$12.00 per doz.; 2 doz. Desk Sets, No. 745, @ \$10.00 per doz.; 3 doz. Manicure Sets, No. 748, @ \$9.00 per doz.; 3 doz. Tooth Brushes, No. 755, @ \$4.00 per doz.; 4 doz. Nail Files, No. 756, @ \$6.00 per doz.; 4 doz. Letter Openers, No. 758, @ \$12.00 per doz.; 3 doz. Puff Jars, No. 842, @ \$24.00 per doz.; 3 doz. Cork Screws, No. 845, @ \$9.00 per doz.; 3 doz. Bottle Openers, No. 846, @ \$15.00 per doz.; 2 doz. Nail Polishers, No. 875½, @ \$9.00 per doz.; 2 doz. Key Chains, No. 878, @ \$15.00 per doz.; 3 doz. Match Boxes, No. 880, @ \$24.00 per doz.; 2 doz. Cigar Cutters, No. 890, @ \$9.00 per doz. Settled the bill in cash, less discount; also paid freight charges in cash, \$3.50.  
Enter the purchase in invoice book, and the payment of same on credit side of cash book, placing the discount in the cash discount column and the net amount in the general column. Charge the freight to *Freight and Drayage* in C. B. The drayage we will make no entry for until we settle our monthly statement with the draying company.
- " 8. Sold Larsen & Son, Brookville, Ind., less trade discount of 50 and 25%, net 10 days, 1 Elgin Movement No. 4510, 18 size 17 jewel Htg., \$20.00; 1 Elgin Movement No. 452, 18 size 17 jewel Htg., \$24.00; 1 Boss No 1777, 18 size 25 yr. Htg. Case, \$28.00; 1 Boss No. 1784, 18 size 25 yr. Htg. Case, \$28.00; 1 Signet Ring No. 4234, size 8½, \$19.00; 1 Signet Ring No. 4250, size 9, \$15.00; 1 Brooch No. 5384, \$17.50; 1 Brooch No. 5392, \$15.00; 1 Bracelet No. 6301, \$20.00; 1 Bracelet No. 6305, \$10.00; 1 Traveling Set No. 8023, \$12.50.  
The order blank will be extended by our entry clerk and you will enter only the total of the bill less trade discount in the Sales Book.
- " 8. The pay roll has been made up for the past week, including



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- Jan. 8. the salaries of the partners and all the employees, (except salesmen who will be paid by the month) in the time book. The necessary currency and coin have been drawn at the bank, and all the employees paid in cash. Total, \$351.00.  
Dr. Expense.
- " 9. Received reports of traveling expenses from Carl H. Winter, \$13.50; and Bruce Mitchell, \$18.60.  
Dr. Traveling Expenses and credit the salesmen in the journal.
- " 9. Sold Birch Hardware Co., Earlville, Ill., subject to trade discount of 50%, and 6% for cash 30 days, 1 Cut Glass Water Set, No. 4032, \$45.00; 1 Cut Glass Pitcher, No. 4040, \$25.00; 1 Cut Glass Mayonnaise Set, No. 4045, \$12.50; 1 Bake Dish, No. 2509, \$9.95; 1 Percolator, No. 2610, \$10.25; 1 Fern Dish, No. 2695, \$13.75. Cash \$25.00 accompanied the order.  
S. B. and C. B.
- " 10. Took up for cash at First National Bank, note of Mr. Fisher assumed by the firm, \$2500.00 with 5% interest from Oct. 1, last year.  
C. B. and B. B.
- " 10. Bought of D. F. Briggs Co., Attleboro, Mass., the following bill of goods subject to trade discount 25% and cash 4%: 2 doz. Fobs No. 96 @ \$12 per doz.; 3 doz. Fobs No. 98 @ \$9 per doz.; 2 doz. Fobs No. 93½ @ \$15 per doz.; 2 doz. Chains No. 85 @ \$12 per doz.; 3 doz. Chains No. 87½ @ \$18 per doz.; 2 doz. Chains No. 89½ @ \$22 per doz.; 2 doz. Dickens Vest Chains No. 97 @ \$12 per doz.; 3 doz. Carmen Bracelets No. 104 @ \$24 per doz.; 4 doz. Carmen Bracelets No. 106 @ \$30 per doz.; 3 doz. Carmen Bracelets No. 107 @ \$28 per doz.; 2 doz. Carmen Bracelets No. 109 @ \$26 per doz.; 3 doz. Chains No. 110 @ \$30 per doz. Paid express charges on above \$2.25 and charged same back to the shipper Settled invoice, less discount and express in cash.
- " 11. Bought of Howe Scale Co., for cash, one parcel post scale \$64, and map and book to accompany the same, \$6.50.
- " 11. Received an order from W. E. Dorman of East Dubuque, Ill., for one 4 drawer Sewing Machine No. 43, listed in our catalogue at \$56.50, less trade discount of 70% and subject to 6% for cash. As we do not carry the heavy goods of this character in stock, we have ordered the same of the manufacturers,

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Jan. 11. Foley & Williams Manufacturing Co., Cleveland, O., as per their catalogue No. 85, and have given them directions to ship directly to Mr. Dorman.

As soon as the manufacturers ship the goods, we will be advised and will receive a bill from them. We will then re-bill at our catalogue price less discounts, to the purchaser. No entry at this time.

" 12. At the time this concern was organized the partners entered into a contract with J. M. W. Jones Stationery & Printing Co., for the printing of our catalogue. The work is progressing and we have this day paid the firm \$300 on account of the catalogue.

Debit Catalogue Account.

" 12. Received an order for goods from Farmersville Hardware Co., East Moline, Ill. Goods not in stock. We have placed the order with Koch Cut Glass Co., City, and ordered them to ship via C. B. & Q. R. R., directly to our customer.

No entry.

" 12. Make the following payments of cash on account: S. O. Bigney & Co., Attleboro, Mass., \$500.00; Waltham Watch Co., Waltham, Mass., \$500.00. Settled the account of Goldsmith, Stern & Co., New York, N. Y., in full by New York Exchange, less 5% cash discount.

C. B.

" 13 Sold Fries & Geis, Dwight, Ill., less 50% trade discount and 6% for cash, 1 Waltham Movement No. 4572, 18 size 17 jewel Htg., \$22.00; 1 Waltham Movement No. 4575, 18 size 15 jewel Htg., \$16.00; 1 Crescent Case No. 3570, 18 size Htg., 25 yr., \$30.00; 1 Crescent Case No. 3572, 18 size Htg., 20 yr., \$24.00; 1 Gold Vest Chain No. 6085, 14 K., \$45.00; 1 Gold Vest Chain No. 6088, 10 K., \$29.00; 1 Emblem Charm No. 2803, \$72.00; 1 Pr. Cuff Buttons No. 4032, \$5.00; 1 Brooch No. 3045, \$10.00;  $\frac{1}{2}$  doz. Collar Buttons No. 2210 @ \$4.50 per doz.; 1 Signet Ring No. 1580, \$10.60; 1 LaValliere No. 2200 @ \$4.00; 1 LaValliere No. 2210 @ \$8.00. Cash enclosed with order, less discount. S. B. and C. B.

Also sold Seymour Bros., Hamburg, Iowa, less trade 40 and 10%, and 6% for cash 15 days, 1 Pr. Side Combs No. 5310, \$4.00; 1 Pr. Side Combs No. 5315, \$5.50;  $\frac{1}{2}$  doz. Collar Buttons No. 4022 @ \$3.95 per doz.;  $\frac{3}{4}$  doz. Collar Buttons No. 4028 @

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Jan. 13. \$5.75 per doz.; 1 Hand Bag No. 5600, \$18.00; 1 Hand Bag No. 5605, \$20.00; 1 Umbrella No. 6200, 26 inch, \$22.75; 1 Umbrella No. 6205, 28 inch, \$25.00; 1 Toilet Set No. 8033, 3-piece, \$15.00; 1 Toilet Set No. 8045, 3-piece, \$13.00; 1 Key Chain No. 9032, \$4.00.  
S. B.

" 13. Received cash on account from Crandall Lumber and Hardware Co., \$300.00, Boe Bros., \$250.00; Salmon & Wilson, \$25.00.  
C. B.

" 13. Paid out cash for parcels postage \$25.00; letter postage \$5.00.  
Dr. Parcels Postage for first item; Expense for the second.

" 14. Received a bill from Remington Typewriter Co., for 4 typewriters and desks, \$481.00. Settled the same in cash.

" 15. Paid James A. Stephens, cash in full of Mr. Fisher's note of \$1000.00, with interest at 6% to date. This note was assumed by the firm, at the time of the partnership organization.  
C. B. and B. B.

" 15. Sold D. Alberson, Dwight, Ill., trade 50%, 6% cash 15 days, and forwarded by parcels post, 1 Fob No. 2201, \$7.75; 1 Fob No. 2210, \$8.00; 1 Locket No. 2400, \$7.25;  $\frac{1}{2}$  doz. Collar Buttons No. 2501 @ \$6.75 per doz.; 1 Ring No. 2603, \$19.00; 1 Bar Pin No. 2610, \$4.50. Added postage, 30 cents to the bill.

" 15. Made up pay roll. All employees paid in cash, \$351.

" 15. Foot and rule up your invoice book. Post items to credit of personal accounts in general ledger and footing the debit of Merchandise Purchase Account.

Close sales book and post individual items to debit of customers in sales ledger. Post footing to debit of Sales Ledger Controlling Account and to credit of Merchandise Sales Account, both in general ledger. Close cash book and bring down the balance. Post in accordance with instructions given under illustrated form. Also post your Journal.

The bill books will not be posted from, as they are auxiliary.

Take a trial balance of your general ledger including the balance from the cash book as a debit; also take trial balance of the sales ledger, the trial being brought to balance by including the Sales Ledger Controlling Account from the general ledger as a credit. Accounts which balance should be closed and not shown in either trial balance.



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- " 16. Bought of Goldsmith Stern & Co., New York, N. Y., the following bill of goods subject to cash discount 5%: 3 doz. Rings No. 1004 @ \$15 per doz.; 2 doz. Rings No. 1006 @ \$18 per doz.; 4 doz. Rings No. 1007 @ \$13 per doz.; 2 doz. Rings No. 1105 @ \$20 per doz.; 2 doz. Scarf Pins No. 840 @ \$10 per doz.; 2 doz. Scarf Pins No. 843 @ \$9 per doz.; 3 doz. Scarf Pins No. 846 @ \$12 per doz.; 2 doz. Scarf Pins No. 850 @ \$15 per doz.; 1 doz. Lockets No. 2005 @ \$15 per doz.; 2 doz. Locketts No. 2005 @ \$18 per doz.; 1 doz. Bracelets No. 943 @ \$25 per doz.; 2 doz. Bracelets No. 647 @ \$18 per doz.; 1 doz. Bracelets No. 923 @ \$30 per doz.; 3 doz. Cuff Buttons No. 433 @ \$36 per doz.; 2 doz. Cuff Buttons No. 475 @ \$40 per doz.; 1 doz. Cuff Buttons No. 473 @ \$20 per doz.; 2 doz. Set Rings No. 1003 @ \$45 per doz.; 2 doz. Signet Rings No. 1009 @ \$25 per doz.; 2 doz. Signet Rings No. 1008 @ \$35 per doz. Paid express charges on above \$1.25. Settled invoice in cash, less discount.  
Debit *Freight and Drayage* for the express as this is not to be charged back to the shipper in this transaction. Also make entries in Invoice Book and another entry in the Cash Book for the payment.
- " 16. Report received from salesmen for traveling expenses. Mr. Mitchell \$22.60; Mr. Winter \$17.38.  
Journal.
- " 17. Bought of Martin-Copeland Co., Providence, R. I., the following bill of goods subject to cash discount 2%; 3 Chains 90 / 45 @ \$7 each; 3 Chains 90 / 47 @ \$12 each; 4 Chains 90 / 49 @ \$15 each; 2 Chains 80 / 50 @ \$25 each; 2 Chains 80 / 64 @ \$40 each; 3 Lorgnette Chains 104 / 2 @ \$10 each; 4 Lorgnette Chains 104 / 5 @ \$15 each; 3 Waldemar Chains 200 / 2 @ \$8 each; 4 Waldemar Chains 200 / 4 @ \$15 each; 3 Waldemar Chains 200 / 9 @ \$20 each; 12 Neck Chains 40 / 3 @ \$6 each; 9 Neck Chains 40 / 35 @ \$8 each; 6 Neck Chains 40 / 37 @ \$12 each. Paid express charges \$1.75.  
Dr. Freight and Drayage.
- " 17. Settled invoice of Martin-Copeland Co., of this date at 2% discount and included in our remittance \$95.80 to cover old balance.
- " 17. We are in receipt of an order from Dupee Bros., Concordia, Kans., for 1 Empire Clock No. 5030, \$75.00; 1 Bermuda Clock No. 5035, \$45.00; 1 Boss Case No. 325, \$30.00; 1 Elgin Movement No. 439, \$15.00; 1 Fob No. 3025, \$4.75; 1 Brooch No. 3105,

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- Jan. 17. \$8.95; 1 Scarf Pin No. 4309, \$13.00, all subject to trade discounts of 50 and 25%, net 30 days. At the purchaser's request we are sending the clocks by freight via Santa Fe R. R. The watches and jewelry we have shipped via Wells Fargo & Co. Express.
- " 18. Received cash of Larson & Son., Brookville, Ind., in full of invoice sold them on the 8th inst., \$\*\*\*\*\* plus \$100 on the old account. Total \$\*\*\* \*\*.
- " 18. Sold Crandall Lumber & Hardware Co., LaGrange, Ky., less trade discounts of 50 and 25%, net 30 days, 1 Regulator No. 80, \$105.00, and 1 Cuckoo Clock No. 20, \$33.45.
- " 19. Shipped Ballard Bros., East Alton, Ill., C. O. D. via Adams Express, 2 doz. Med. Knives No. 2210 @ \$10.50 per doz.; 2 doz. Med. Forks No. 2211 @ \$10.50 per doz.; 1 French Briar Pipe No. 8005, \$6.50; 1 Meerscham Pipe No. 8010, \$15.00; 1 Manicure Set, 3 Piece, No. 4002, \$3.00; 1 Hand Bag No. 4512, \$14.00. Trade discount 70%; cash discount 6%. The purchasers remitted \$5.00 in cash with their order.  
Enter this sale in your sales book for the full amount of the bill after deduction of the trade discount but post to the C. O. D. Account and not to Ballard Bros. The payment and the cash discount on the whole bill will be entered in the cash book and both posted to the credit of the C. O. D. Account.
- " 20. Forwarded a check of \$50.00 to each of our salesmen; also remitted New York Exchange of \$750.00 to Waltham Watch Co., Waltham, Mass., on account.
- " 20. Received an order for goods from H. H. Buie, Edelstein, Ill. Goods not in stock. We have placed the order with James E. Blake, Providence, R. I., and ordered them to ship via the C. B. & Q. R. R., directly to our customer. No entry.
- " 21. Received from Foley & Williams Mfg. Co., Cleveland, Ohio, advice of shipment of sewing machine to our customer W. E. Dorman, East Dubuque, Iowa. The manufacturers have billed to us at \$11.50 less 10% trade, and 2% cash 20 days. We re-billed to customer at \$56.50 less 70% trade and 6% cash.  
Enter in invoice and sales book after deduction of trade discount.
- " 21. Paid J. M. W. Jones Stationery & Printing Co., another installment on our catalogue contract, \$250.00; (Dr. Catalogue) also paid for stationery \$17.80.  
Dr. Expense.
- " 22. Bought of S. O. Bigney & Co., Attleboro, Mass., the following

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- Jan. 22. bill of goods subject to trade discount 20% and cash 2%: 2 doz. Chains No. 3001 @ \$12 per doz.; 3 doz. Chains No. 3002 @ \$18 per doz.; 4 doz. Chains No. 3003 @ \$16 per doz.; 2 doz. Chains No. 3009 @ \$20 per doz.; 2 doz. Chains No. 3010 @ \$25 per doz.; 1 doz. Chains No. 3018 @ \$30 per doz.; 2 doz. Chains No. 3022 @ \$24 per doz.; 3 doz. Chains No. 3029 @ \$26 per doz. Paid express charges on above \$1.75 and charged same back to the shipper; settled invoice in cash less discount and express charges.
- " 22. Paid Commonwealth Edison Co., light bill, \$4.50; Marshall-Jackson Co., for office supplies, \$9.80; Burroughs Adding Machine Co., for No. 9 Adding Machine, \$415.  
Distinguish between items of Expense and Furniture and Fixtures.
- " 22. Settled pay roll in cash, \$351.00.
- " 23. Koch Cut Glass Co., City, advises that they have shipped via C. B. & Q. R. R. direct to our customer, Farmersville Hardware Co., East Moline, Ill., the goods ordered by us on the 12th inst., and are billing the same to us less 5% for cash, as follows: 1 No. 43 Pitcher, \$15; 1 doz. Tumblers to match, No. 28, \$26.50; 1 Sandwich Plate No. 96, \$4.50; 1 Cheese Plate and Cover No. 35, \$8; 1 Candle Stick No. 43, \$3.50. We have re-billed to the customer, less 50% trade discount, cash discount 6% 10 days, as follows: 1 Pitcher No. 375, \$42.00; 1 doz. Tumblers No. 376, \$75.35; 1 Sandwich Plate No. 380, \$12.35; 1 Cheese Plate and Cover No. 383, \$23.45; 1 Candle Stick No. 392, \$10.50.
- ' 23. Received cash of Henry Dorman in full of our invoice of the 21st, less 6% cash discount, \$\*\*\*\*.\*\*\*; also, of Larson & Co., the balance due on their account, \$\*\*\*\*.\*\*\*.
- ' 23. Salesmen report expenses: Mr. Winter \$23.65; Mr. Mitchell \$22.60.
- ' 23. Bought of S. & B. Lederer Co., Providence, R. I., the following bill of goods subject to trade discount 40% and cash 5% 15 days: 2 doz. Chains No. 345 @ \$15 per doz.; 2 doz. Chains No. 348 @ \$13.50 per doz.; 2 doz. Chains No. 349 @ \$12.75 per doz.; 2½ doz. Chains No. 350 @ \$10 per doz.; 3 doz. Collar Buttons No. 425 @ \$1.50 per doz.; 4 doz. Collar Buttons No. 428 @ \$2.75 per doz.; 5 doz. Collar Buttons No. 438 @ \$2.00 per doz.; 2 doz.

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- Jan. 23. Neck Chains No. 523 @ \$18 per doz.; 3 doz. Neck Chains No. 535 @ \$16 per doz.; 2 doz. Neck Chains No. 539 @ \$16.95 per doz.; 3 doz. Neck Chains No. 545 @ \$20.75 per doz.  
Paid express charges on above \$1.25 and charged same back to the shipper.
- " 24. Seymour Bros., Hamburg, Ia., have dissolved partnership and we have accepted the note of Henry Seymour, senior member of the firm, dated today, drawn for the balance of their account plus sale of the 13th inst., due in 10 days with 6% interest, payable at our place of business, in full.  
*Dr. Bills Receivable and credit Sales Ledger Controlling Account in Journal.*  
Also post to credit of customer.
- " 24. Discounted note of Craig & Co., at the bank. Face of Note \$500; interest 90 days 6%, \$\*\*\*\*; discount \_\_\_\_ days, 7%, \$\*\*\*\*; proceeds placed to our credit, \$\*\*\*\*\* (C. B. and B. B.); the bank has also placed to our credit the proceeds of a sight draft which we drew on Marseilles Co., Farmerville, La., for collection. Face of draft \$144.40. Collection fees, \$.85. C. B., full amount on debit side, and Collection and Exchange on credit side.
- " 25. Sold Boe Bros., Findlay, O., less 50% trade discount, cash 6%, 1 Bracelet No. 4010, \$25; 1 Bracelet No. 4020, \$18; 1 Signet Ring, size 8, No. 4100, \$6.50. The purchasers have ordered the goods sent by Parcels Post, and enclosed us their check for the amount of the bill, less trade and cash discounts, plus 35 cents for parcels postage.  
This transaction may be entered directly in the cash book, and from there posted to the Merchandise Sales Account, but the better practice is to open an account with the customer, charging him for the sale from the sales book and crediting him for the payment from the cash book. This you will do.
- " 25. Bought of Waltham Watch Co., Waltham, Mass., and received by city delivery the following bill of goods subject to trade discount 10% and 2% for cash 30 days: 20 Movements No. 73 @ \$4 each; 15 Movements No. 360 @ \$6 each; 15 Movements No. 361 @ \$7.50 each; 15 Movements No. 375 @ \$8.25 each; 10 Movements No. 392 @ \$10.50 each; 8 Movements No. 430 @ \$15 each; 10 Movements No. 295 @ \$18 each; 15 Movements No. 277 @ \$20 each; 15 Movements No. 245 @ \$22.25 each; 10 Movements No. 200 @ \$25 each; 5 Movements No. 204 @ \$30 each; 3 Movements No. 202 @ \$45 each.
- " 26. Received an order for goods from Boe Bros., Findlay, Ohio.

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- Jan. 26. Goods not in stock. We have placed the order with Koch Cut Glass Co., City, and ordered them to ship via the C. B. & Q. R. R., directly to our customer. No entry.
- " 26. Received of Adams Express Company, balance due us on C. O. D. shipment made to Ballard Bros., on the 19th inst., \$\*\*\*\*.
- " 27. Sold Birch Hardware Co., Earlville, Ill., 70%, net 4 months: 6 Fountain Pens No. 732, @ \$4.00; 2 Traveling Sets No. 235, 8 pieces, @ \$17.00; 1 Traveling Set No. 243, 15 pieces, \$32.00; 3 Jewel boxes No. 325, @ \$4.75; 2 Glove boxes No. 342, @ \$14.00; 2 Clothes brushes No. 275, @ \$5.00; 2 Military Sets, No. 299, \$12.35.
- " 27. Sold Salmon & Wilson, Newport, N. H., subject to trade discount of 70% and cash discount 6% 30 days: 1 doz. Chains, Asst., No. 7500, \$20.50; 1 Coat Chain No. 7510, \$3.00; 2 Fobs No. 7512, @ \$6.75; 1 doz. Silk Guard Chains No. 7514, \$.85 each; 2 Hair Chain Mtgs. No. 7620, @ \$4.50; 2 Locketts No. 7640, @ \$6.00; 2 Solid Crosses, No. 7680, @ \$19.75; 1 Emblem Button No. 7700, \$7.50; 1 Initial Ring No. 7765, \$12.00; 3 Thimbles, Asst. sizes, No. 8023, \$3.75 each; 1 Bracelet No. 4023, \$13.50; 1 Tie Clasp No. 4053, \$28.50; 1 Scarf Pin No. 4070, \$2.00; 1 Waist Pin Set No. 4100, \$2.75; 1 Pr. Cuff Buttons No. 4200, \$1.75.
- " 28. James E. Blake & Co., Providence, R. I., manufacturers, advise that they have made shipment of our order of the 20th inst., to H. H. Buie, Edelstein, Ill., via C. B. & Q. R. R., and have billed us the goods as follows: 1 Tea Set No. W105, 6 pieces complete, \$35; 1 Percolator No. W210, 4 pints, \$8.50; 1 Coffee Set No. W316, 4 pieces, \$19.50; less discount of 5%. We have rebilled to our customer as follows: 1 Tea Set No. 25, 6 pieces complete, \$85; 1 Percolator No. 28, 4 pints, \$19.50; 1 Coffee Set No. 545C, \$45.75; less 50%, net 10 days. Discounted invoice of James E. Blake & Co., in cash.
- " 29. Bought of Waltham Watch Co., Waltham, Mass., and received by city delivery the following bill of goods subject to trade discount 10%, and 2% for cash 30 days: 10 Waltham Movements No. 25 @ \$4.75 each; 15 Waltham Movements No. 28 @ \$5.25 each; 10 Waltham Movements No. 34 @ \$8 each; 15 Waltham Movements No. 39 @ \$9.75 each; 10 Waltham Movements No. 40 @ \$10.25 each; 8 Waltham Movements No. 42 @ \$12.75 each; 6 Waltham Movements No. 43 @ \$18 each; 5 Waltham Movements No. 44 @ \$22 each; 10 Waltham Movements No. 46 @



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- Jan. 29.**    \$28 each; 8 Waltham Movements No. 50 @ \$30 each; 10 Waltham Movements No. 51 @ \$35 each; 4 Waltham Movements No. 55 @ \$48 each.
- “ 29.    Made up pay roll and settled in cash, \$351.00. Sent each salesman a check of \$100 for his monthly salary.
- “ 30.    Received of D. Alberson, Dwight, Ill., cash in full of invoice sold him on the 15th inst., less 6% cash 15 days.  
This bill included a charge for parcels postage. Discount is computed on bill before postage is added.
- “ 30.    One of the customers of the old firm, J. G. Bromberg, Schuyler, Neb., has filed a voluntary petition in bankruptcy and the trustee has sent us dividend check for 25% of the account. The balance is lost.  
C. B., also make a Journal entry debiting Loss and Gain and crediting Sales Ledger Controlling Account. Post credit to account in General Ledger as well as to customer's account in Sales Ledger.
- “ 30.    Received an order for goods from Boe Bros., Findlay, Ohio. Goods not in stock. We have placed the order with Koch Cut Glass Co., City, and ordered them to ship via the American Express Co., directly to our customer. No entry.
- “ 30.    Report received from salesmen, Mr. Winters, \$18.60; Mr. Mitchell, \$24.50.
- “ 31.    Close your Invoice Book, Sales Book, and Cash Book, and post these, and your Journal.  
  
Take trial balances of your Sales Ledger and General Ledger, and submit all your books to your teacher for approval; also see that unpaid notes on hand, or outstanding, per bill books, equal balance of corresponding ledger account.

## INSTRUCTIONS FOR CLOSING LEDGER

(a) **Sales Ledger:** Close all accounts in this ledger which balance.

(b) **General Ledger** will be closed as follows:

1. Bills Receivable, Sales Ledger Controlling Account, the Salesmen and accounts of creditors and any other financial accounts, with a balance.

2. Close Goods in Stock into Trading account; Freight and Drayage, and Discounts on Purchases into Merchandise Purchase; Merchandise Purchase into Trading Account; Parcels Postage (taking into account inventory of \$23.50 for stamps on hand), and Discounts on Sales, into Merchandise Sales; and the latter into the Trading Account; close Trading Account into Loss and Gain after entering an Inventory of Goods in Stock on January 31st, \$18232.70. Bring the inventory down again into the Goods in Stock Account.

3. Close Furniture and Fixtures into Loss and Gain for a depreciation of 1% on cost, treating the difference as an inventory.

4. Close Expense into Loss and Gain taking into account the following inventories:

Annual Membership in R. G. Dunn & Co....	\$100.00	
" " " Bradstreet Co.....	100.00	
" " " Jeweler's B. of T...	75.00	
	<hr/>	
	\$275.00	
One month expired(1/12).....	\$	\$
	<hr/>	
Postage on hand.....		\$ 2.50
		<hr/>
Total.....		\$

5. Close Interest and Discount, Collection and Exchange and Traveling Expense, into Loss and Gain. (No Inventories.)

6. Catalogue Account will be closed with a balance as the catalogues are worth to us only what we have so far invested in the printing, hence no profit or loss.

7. Close Loss and Gain into partners' accounts observing the division of profits agreed upon, and close partners' accounts with a balance.

8. Prepare Financial Statement as per form on page 59. Submit all your books for approval again.

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- Feb. 1. It has been decided to incorporate the enterprise for \$50,000.00. Our attorney has prepared and forwarded the necessary application for a charter and we have advanced him cash for fees to be paid to the Secretary of State to whom the application was made, \$45, and \$50 attorney's fees. (Debit Organization Expense.)

If this sum were charged into the Expense Account, the next month's business would be burdened with the entire cost of organization. This expense should be distributed over a longer period by gradually writing off Organization Expense Account into Loss and Gain.

- " 1. The capital stock of the company has been subscribed as follows: Edwin B. North, 160 shares; Walter C. Fisher, 160 shares; Henry Lorber, our credit man, 50 shares; Edwin H. Johnson, Mgr. of Watch Dept., 50 shares; J. P. Shaw, 45 shares; C. W. Reynolds, 35 shares.

The partners in full of their stock turn over all the partnership assets to the corporation, the corporation assuming the liabilities. It is considered that the difference between the partnership's net capital and the \$32,000.00 worth of stock taken by the partners, is made up by the Good Will thus far established by the business and their partnership interests are therefore accepted in full of their stock.

We will continue using the old books. Make Journal entry debiting each partner for his present worth or net capital, Good Will for the difference between the stock taken by them and their combined net capitals, and crediting capital stock for the par value of the stock issued to them. Make cash book entries for the payments by the other subscribers.

Credit Capital Stock.

- " 2. Paid J. M. W. Jones Printing & Stationery Co., cash \$5,000.00 on account of first installment of completed catalogues delivered us today.

Dr. Catalogue.

Also paid U. S. Express Co., \$55.00 for express charges on catalogues forwarded to customers and prospects.

Dr. Expense.

Also mailed our Mr. Mitchell check for \$45 to cover traveling expenses.

- " 2. Sold Dupee Bros., Concordia, Kan., one Cut Glass Vase No. 40,

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Feb. 2. 18 inches, \$82; less 70% trade discount and 6% for cash in 10 days.

- " 2. Sold Boe Bros., Findlay, O., subject to trade discount of 50%, and cash discount of 6% 10 days: 1 Handbag No. 8042, \$23; 1 Pocket Manicure Set No. 25, \$4.50; 1 Fountain Pen No. 435, \$6.70; 1 Umbrella No. 4032, \$12.45; 1 Military Brush Set No. 4502, \$7.25; 1 Traveling Set No. 4720, 13 pieces, \$3. The customer enclosed check in full.
- " 3. Paid cash to Recorder of Deeds for recording our charter \$11.25 (Dr. Organization Expense); also advanced our attorney \$10.00 on account of fees and court costs to bring suit against John Sedgwick, whose account is long past due.  
Dr. General Expense.
- " 3. Received of Crandall Lumber & Hardware Co., on account, \$50; also Farmersville Hardware Co. for their invoice of the 23rd ult., less 6% 10 days, \$\*\*\*\*.
- " 4. Received an order from Salmon & Wilson, Newport, N. H., for sewing machine which we do not carry in stock. We have placed the order with Foley & Williams Mfg. Co., Cleveland, O., and ordered them to ship via the N. W. R. R., directly to our customer.
- " 5. Bought of International Silver Co., Meridian, Conn., less trade 25% and cash 5% 30 days: 12 doz. Med. Knives @ \$2 per doz.; 12 doz. Med. Forks @ \$2 per doz.; 12 doz. Med. Knives @ \$3 per doz.; 12 doz. Med. Forks @ \$3 per doz.; 12 doz. Tea Spoons @ \$2.25 per doz.; 10 doz. Tea Spoons @ \$2.75 per doz.; 12 doz. Dessert Spoons @ \$3.25 per doz.; 12 doz. Table Spoons @ \$4 per doz.; 5 doz. Berry Spoons @ \$1.25 each; 6 doz. Berry Spoons @ \$1.50 each; 2 doz. Soup Ladles @ \$1.85 each; 2 doz. Gravy Ladles @ \$1 each; 3 doz. Cream Ladles @ \$.65 each; 8 doz. Baby Spoons @ \$.25 each; 3 doz. Bon Bon Tongs @ \$.35 each; 2 doz. Sugar Sifters @ \$.50 each.

Advanced in cash to our drayman \$35.00 for freight which you will charge back to the shipper.

Where the freight charges are large it is customary to advance the same to the drayman. Where they are small the drayman pays the freight and charges the same up on the monthly statement to us.

- " 5. Settled bill of Hastings Express Co., for drayage to date, \$3.25.

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Feb. 6. Shipped Perry & Kiggins, Philadelphia, Miss., C. O. D. via Southern Express: 1 pr. Cuff Buttons No. 1022, \$13.75; 1 Scarf Pin No. 1042, \$6.50; 1 doz. Collar Buttons No. 1084, \$3.50; 1 Bar Pin No. 1130, \$9.00; 1 Brooch No. 1132, \$7.50; 1 Lorgnette Chain, 14K No. 1152, \$22.00; 1 Lorgnette Chain, 10K No. 1156, \$15; 1 Festoon Neck Chain No. 1230, \$14. This bill is subject to trade discount of 70% and cash discount of 6%. The purchaser has enclosed \$2.00 in cash with his order, the express company to collect the balance on delivery.

Use C. O. D. Account.

" 6. Sold Dupee Bros., Concordia, Kas., 70% off, 6% cash: 1 Chain No. 842, \$5.50; 1 Chain No. 843, \$3.75; 1 Locket No. 932, \$9.40; 1 Locket No. 938, \$7.50; 1 Scarf Pin No. 1004, \$10.25; 1 Waist Set No. 1025, \$4.25; 1 Waist Set No. 1028, \$3.75; 1 Fob No. 325, \$8.00; 1 Cross No. 1084, \$9.50; 1 Emblem Charm No. 1090, \$35; 1 doz. Collar Buttons No. 1105, \$4.50; 1 Signet Ring No. 1203, \$18.75; 1 Initial Ring No. 1280, \$12.50; 1 Bracelet No. 1293, \$13.50; 1 Brooch No. 1302, \$15.75. Cash enclosed with order.

" 7. Paid cash for pay roll, \$351.00; S. O. Bigney & Co., in full of account per ledger, \$\*\*\*\*\*; S. & B. Lederer Co., in full of account, less 5% for cash on purchase of the 23rd ult., \$\*\*\*\*\*; Koch Cut Glass Co., in full of purchase of 23rd ult., \$\*\*\*\*\*.

We did not pay last bill on time to get benefit of discount. Consult your ledger in settling an account.

" 8. Received cash of Henry Seymour in full of his note of the 24th ultimo, plus interest 10 days, 6%.

" 9. Reports from Salesmen for traveling expenses: Mr. Winter, \$21.25; Mr. Mitchell, \$19.80. Sent Mr. Winter check for \$25.

" 9. Advice of shipment to our customer, Boe Bros., Findlay, Ohio, received from Koch Cut Glass Co., per our order of the 26th inst. The manufacturer bills to us, and we rebill as follows:

Our Cat. No.	Mfg. No.	Articles.	Bill to us.	Bill by us.
865 B.	345	1 Punch Bowl.....	\$19.00	\$57.35
773 C.	230	1 Bread Tray.....	4.75	15.00
537 D.	873	1 Spoon Tray.....	2.75	8.75
235 C.	429	1 Bake Dish.....	5.50	16.00
			\$	\$

Discounts to us 50% off; 5% for cash. Discounts to our customer, 70% off, 2% cash 10 days.

We settle our invoice in cash, less discount.

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- Feb. 10. We have taken out fire insurance on our fixtures and goods in stock. Paid premium in cash, \$114.50. (Dr. Insurance.)
- " 11. Bought of D. F. Briggs & Co., Attleboro, Mass., 15% off, cash 15 days 3%, and received by city delivery: 6 Clocks, Weston No. 75, @ \$19; 6 Clocks, Fayette No. 48, @ \$11; 6 Clocks, Bastrop No. 35, @ \$10.50; 3 Clocks, Theron, @ \$13.05; 3 Clocks, Tycoon, @ \$13.05; 3 Clocks, Thrace, @ \$19; 3 Cuckoo Clocks No. 25, @ \$9.60; 6 Cuckoo Clocks No. 242, @ \$19.00; 3 Regulators No. 109, @ \$24; 12 Alarm Clocks No. 82, lot \$14.75.
- " 11. Returns received in cash from Southern Express Company for balance of C. O. D. shipment made to Perry & Kiggins on the 6th inst.
- " 12. Sold D. Alberson, Dwight, Ill., 50% and 25%, and forwarded by Parcels Post: 1 Chain No. 8002, \$8; 1 Fob No. 8030, \$3.25; 1 Outing Chain No. 8032, \$1.90; 1 Lorgnette No. 9020, \$8.50. They remitted their check with the order to cover the bill and \$.20 parcels postage.
- " 13. Sold Crandall Lumber & Hardware Co., La Grange, Ky., 70% off, 6% 10 days: 1 Traveling Set No. 365, \$25; 1 Military Brush Set No. 367, \$6.50; 1 Smoking Set No. 925, \$4; 2 Candle Sticks No. 926, \$8; 1 Shaving Set No. 940, \$9; also 2 Watches at \$9.35 each, net cash.
- " 13. Received cash in full of bill sold to Dupee Bros. on 2nd inst. less discount. Also cash from H. H. Buie in full of account.
- " 13. We have returned one of the typewriters bought last month, and received a refund of cash \$100.
- " 14. Made another cash payment of \$5000.00 on account of catalogue deliveries; also disbursed cash for pay roll \$\*\*\*; and to Foley & Williams Mfg. Co., in full of invoice of 21st ult., less 2%.
- " 14. Report of traveling expenses: Mr. Winter, \$30.55; Mr. Mitchell, \$18.25.
- " 15. Our attorney has succeeded in effecting a settlement with John Sedgwick, a delinquent customer of ours, for \$250.00, and has remitted us cash for that amount. The difference is a loss. C. B. and J.
- " 15. Close your books and take a trial balance of both ledgers.
- " 16. Bought of D. F. Briggs & Co., Attleboro, Mass., trade 25%,

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Feb. 16. cash 4% 10 days: 6 Opera Glasses No. 255, @ \$4; 6 Opera Glasses No. 256, @ \$5; 6 Opera Glasses No. 257, @ \$6.75; 6 Opera Glasses No. 259 @ \$7; 4 Opera Glasses No. 263, @ \$10; 3 Opera Glasses No. 269, @ \$15; 2 Opera Glasses No. 275, @ \$16.50; 1 Opera Glass No. 284, @ \$20; 3 Opera Glasses No. 289, @ \$8.25; 3 Opera Glasses No. 293, @ \$9; 3 Opera Glasses No. 294, @ \$10.25.

Paid Express charges, \$2.25.

" 17. Received cash in full of Boe Bros. account less discount on last sale.

17. Received an order for goods from Birch Hardware Co., Dwight, Ill. Goods not in stock. We have placed the order with Waltham Watch Co., Waltham, Mass., and ordered them to ship directly to our customer. No entry.

" 18. Bought of Goldsmith, Stern & Co., New York, N. Y., less trade 10% and cash 2%, and received by the city delivery: 6 Berry Dishes No. W220, @ \$3.50 each; 9 Berry Dishes No. W206, @ \$2 each; 6 Cake Baskets No. W204, @ \$3.25 each; 9 Cake Baskets No. W201, @ \$4 each; 5 Bread Trays No. W230, @ \$4.75 each; 3 Bread Trays No. W603, @ \$2.75 each; 1 Punch Bowl No. W345, @ \$19; 3 Salad Bowls No. W24, @ \$2.75 each; 6 Fruit Bowls No. W15, @ \$3.75 each; 5 Spoon Trays No. W873, @ \$2.75 each; 2 Gravy Boats and Trays No. W26, @ \$3.50 each; 6 Whipped Cream Sets No. W17, @ \$2.75 each; 6 Soup Tureens No. W606, @ \$4 each; 4 Bake Dishes No. W429, @ \$5.50 each; 3 Bake Dishes No. W610, @ \$2.75 each; 6 Sandwich Trays No. W205, @ \$1.75 each; 6 Cracker and Cheese Trays No. W207, @ \$2 each; 6 Crum Sets No. W190, @ \$4 each; 6 Crum Sets No. W191, @ \$3.50 each; 6 Cracker Jars No. W94, @ \$1 each; 6 Cracker Jars No. W93, \$1.25 each; 6 Tooth Pick Holders No. W340, @ \$.50 each; 6 Tooth Pick Holders No. 342, @ \$.35 each; 3 Tea Sets No. W105, @ \$35 each; 6 Percolators No. W210, @ \$8.50 each; 4 Coffee Sets No. W316, @ \$19.50 each.  
Total, \$\*\*\*\*\*.

Discounted the bill in cash.

" 18. Sold Marseilles Co., Farmersville, La., subject to trade discount 50%, and cash discount of 6%, 60 days: 1 Percolator No. 583, 4 pints, \$18; 1 Crum Set No. 595, \$6.50; 1 Cake Basket No. 603, \$13.35; 1 Bread Tray No. 615, \$9; 1 Gold Chain No. 2309,

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Feb.18. 10K, \$30; 1 Lorgnette Chain No. 2325, 14K, \$22.50; 1 Scarf Pin No. 2420, \$9.

" 19. Sold Salmon & Wilson, Newport, N. H., 50 and 25% off, net 30 days: 1 Thimble No. 332, 10K, \$8; 1 Hat Pin No. 338, \$2.50; 1 Sash Pin No. 342, \$5; 1 Tie Clasp No. 351, \$3.50; 1 Pair Suspenders No. 1010, \$5.50; 1 Pair Garters No. 1015, \$4; 1 Leather Hand Bag No. 1103, \$26; 1 Bill Book No. 1201, \$2.75; 1 Pocket Comb and Nail File No. 1230, \$2.25; 1 Collar Bag No. 1272, \$2.95; 1 Fountain Pen No. 3575, \$4.25.

" 20. Made final payments on our catalogue, as follows:

Cash ..... \$9450.00

Our note, 6% 30 days payable 1st Nat'l. Bk. 5000.00

" 20. Paid out cash for express charges on catalogues sent out, \$95.80; Waltham Watch Co., on account, \$372.60; for additional insurance, \$35.50.

" 21. Paid out cash for pay roll, \$\*\*\*\*\*; also sent Mr. Mitchell a check for \$75.00, and Mr. Winter one for \$50.00, on account of traveling expenses.

" 21. Received cash of Crandall Lumber & Hardware Co. for the watches covered by our invoice of the 12th instant (terms net) and for the balance of the invoice less 6%; also of Dupee Bros. in full of account \$\*\*\*\*\*.

" 23. Advice of shipment received from Waltham Watch Co., of goods ordered by Birch Hardware Co. on the 17th instant.

Our No.	Their No.	Article.	Billed to us.	Billed by us.
25	75	1 Clock (Weston)....	\$19.00	\$55.00
340	48	1 " (Fayette)...	11.00	33.50
342	35	1 " (Bastrop)...	10.50	32.00

Discounts to us, Trade 50%, 6% 30 days.

Discounts quoted our customers, 70%, 2% 10 days.

" 25. Sold D. Alberson, Dwight, Ill., trade 50% and 25%, net 30 days: 1 Cut Glass Punch Bowl No. 2525, \$85; 1 Cut Glass Bowl No. 2528, \$33.75; 1 Cut Glass Sugar and Cream Set No. 2552, \$25.65; 1 Boss Case No. 2510, 14K 18 size 20 yr., \$16.40; 1 Waltham Movement No. 2618, size 18, 19 jewel, \$65. At the purchaser's request we have shipped the cut glass by freight via North Western R. R., and the watches by American Express.



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- Feb.26. Salmon & Wilson have discounted their invoice of the 27th ult., less 6%, in cash.
- " 26. Sold Marseilles Co., Farmersville, La., trade discount of 70%, cash discount 6%, 30 days: 1 doz. Knives No. 820, \$45; 1 doz. Forks No. 842, \$45; 1 Carving Set No. 25, \$43.35; 1 Crescent Case No. 2309, \$32; 1 Elgin Movement No. 2510, \$65.
- " 27. Waltham Watch Co. has drawn on us at sight for amount of their bill of the 25th ult., and we have honored the drafts in cash, with exchange \$.75.
- " 28. Close your books, post and take trial balance.
- " 28. Close Sales Ledger, Close General Ledger, observing the following instructions:

### CLOSING INSTRUCTIONS

1. Close Capital Stock, Bills Receivable, Catalogue, Sales Ledger, Controlling Account, the accounts of the salesmen and all personal accounts payable, with a balance.

2. Close Goods in Stock account into the Trading Account; Parcels Postage (Inventory \$11.00) and Discounts on Sales, into Merchandise Sales; Discounts on Purchases and Freight and Drayage into Merchandise Purchase; Merchandise Purchase and Merchandise Sales into Trading Account. Close Trading Account (after entering Inventory of Goods in Stock, Feb. 28, \$21,555.00 on the credit side) into Loss and Gain and carry inventory over into Goods in Stock Account.

3. Close Furniture and Fixtures (Inventory \$2500.00), Expense (unexpired memberships \$219.16; postage \$120) Collection and Exchange, Traveling Expense and Insurance (Inventory for unexpired premiums, \$137.50), and \$2.60 of Organization Expense (bring down the balance), into Loss and Gain.

It is customary to distribute Organization Expense over a period of about five years so that the first year's business will bear only its proportionate share thereof. We write off 1/60, being for one month, or \$2.60.

4. Close Loss and Gain into Undivided Profits, and close Undivided Profits with a balance.

5. Prepare a Financial Statement.

## QUESTIONS FOR REVIEW

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1. Define a shipping clerk and explain his duties.
2. Why is it important for him to be acquainted with freight classifications and rates?
3. What are the three principal territorial classifications in the United States?
4. How should orders be assembled and filled where the stock is divided into different departments?
5. What is a back order?
6. What should be done in the shipping department before sending away the goods?
7. Define routing and state what effect it may have on the customer.
8. What is a bill of lading and what are the two forms?
9. Distinguish between a "Straight" bill of lading and an "Order" bill of lading.
10. Why are the original and duplicate of the "Order" bill of lading printed in different colors?
11. Define the invoice book and explain how it is posted from when purchase ledger is used. When the accounts of the creditors are kept in the general ledger.
12. Give the different steps in filling a customer's order.
13. Explain the operation of the Duplicate Billing System.
14. Define the sales book and explain how its items and footings are posted when a sales ledger is used.
15. Explain the purpose and use of a sales ledger controlling account.
16. Why are cash discount columns provided on both sides of the cash book in this set? How are the items and totals of these columns posted?
17. What detailed record should be kept of our written obligations and of other's written obligations to us? How are these records posted, when?
18. What is a private ledger and why is it kept?
19. In case goods are sold C. O. D. what account should be kept in the ledger? What should the position of the debits and credits be therein?
20. Name the two leading mercantile agencies in the United States.
21. What is Parcels Postage?
22. Explain how the various accounts which effect the gross profits are related to one another and closed in this set.
23. What entry should be made when we advance traveling expenses to a salesman? What entry when he reports his expenses for the week?
24. In changing from a partnership to a corporation what account takes the place of the accounts of the partners?
25. How should the Loss and Gain account be closed in a partnership? In a corporation?

## ABBREVIATIONS IN COMMON USE

@ or a	At	<i>Cwt. or cwt.</i>	Hundredweight
A. B.	Bachelor of Arts	<i>D. B.</i>	Day Book
Acct.	Account	<i>Dbk.</i>	Drawback
Ad.	Advertisement	<i>Dep.</i>	Deposit
Agt.	Agent	<i>Dept.</i>	Department
Al.	First Class	<i>Dft. or dft.</i>	Defendant; Draft
Amt.	Amount	<i>Disct.</i>	Discount
Asst.	Assistant	<i>Div.</i>	Dividend
Ave.	Avenue	<i>Do. or do.</i>	The same
Bal.	Balance	<i>Dols. or dols.</i>	Dollars
Bbl. Bbls.	Barrel; Barrels	<i>Doz. or doz.</i>	Dozen
Bdl.	Bundle	<i>Dr.</i>	Debtor; Doctor
B. L.	Bill of Lading	<i>Dr'ge.</i>	Drayage
B. O.	Buyer's Option	<i>Ea.</i>	Each
Bot.	Bought	<i>E. E.</i>	Errors Excepted
B. Pay	Bills Payable	<i>E. &amp; O. E.</i>	Errors and Omissions Excepted
B. Rec.	Bills Receivable	<i>Etc. or etc.</i>	And so forth
Brot.	Brought	<i>Exch.</i>	Exchange
Bro. Bros.	Brother; Brothers	<i>Ex. Cp.</i>	Without Coupon
B. S.	Bill of Sale	<i>Ex. Div.</i>	Without Dividend
Bu. Bus.	Bushel; Bushels	<i>Exp.</i>	Expense
Bx. Bxs.	Box; Boxes	<i>F.</i>	Fahrenheit; French
C.	100	<i>F. or Fol.</i>	Folio; Page
C. B.	Cash Book	<i>Fir.</i>	Firkin
Chgd.	Charged	<i>F. O. B.</i>	Free on Board
Ck. Cks.	Check; Checks	<i>Ford.</i>	Forward
C. O. D.	Collect on Delivery	<i>Gal. or gal.</i>	Gallon; Gallons
%	Care of	<i>Gr.</i>	Gross; Grain
Cat.	Catalogue	<i>Hf. ch. or ½ ch.</i>	Half Chest
C. E.	Civil Engineer	<i>Hhd.</i>	Hogshead
C. F. I.	Cost, Freight and Insurance	<i>Ht. or ht.</i>	Height
C. G.	Consul General	<i>I. B.</i>	Invoice Book
C. H.	Courthouse; Customhouse	<i>Ibid. or ibid.</i>	In the same place
Ck.	Clerk	<i>In. or in.</i>	Inch; Inches
Coll.	Collection	<i>Inc.</i>	Incorporated
Coml.	Commercial	<i>Ins.</i>	Insurance
Comm.	Commission	<i>Inst.</i>	Instant; this month
Const.	Consignment	<i>Int. or int.</i>	Interest
C. P. A.	Certified Public Accountant	<i>In trans.</i>	On the passage (in transitu)
Cr.	Credit	<i>I. O. U.</i>	I owe you
Cts. or cts.	Cents	<i>Inv.</i>	Invoice
Cur	Currency	<i>J. F.</i>	Journal Folio
C. W. O.	Cash with order	<i>Jour.</i>	Journal

<i>Jr.</i>	Junior	<i>Pf.</i>	Preferred
<i>L.</i>	Lady; Lord	<i>Pk. or pk.</i>	Peck
<i>L. or Ldg.</i>	Ledger	<i>Pkg. or pkg.</i>	Package
<i>L. F.</i>	Ledger Folio	<i>Pres.</i>	President
<i>Lb. or lb.</i>	Pound	<i>Qt. or qt.</i>	Quart
<i>L. &amp; G.</i>	Loss and Gain	<i>Recpt.</i>	Receipt
<i>Ltd.</i>	Limited	<i>Recd.</i>	Received
<i>M.</i>	1000	<i>Retd.</i>	Returned
<i>M. or m.</i>	Month; Mile	<i>R. R.</i>	Railroad
<i>Mach.</i>	Machinery	<i>Ry.</i>	Railway
<i>Mdse.</i>	Merchandise	<i>S. B.</i>	Sales Book
<i>Mem.</i>	Memorandum	<i>Sec.</i>	Secretary
<i>Mfg.</i>	Manufacturing	<i>SS.</i>	Steamship
<i>Mfrs.</i>	Manufacturers	<i>Sq.</i>	Square
<i>Misc.</i>	Miscellaneous	<i>S. O. or s. o.</i>	Seller's Option
<i>Mo. or mo. mos.</i>	Month; Months	<i>Sr.</i>	Senior
<i>Nat'l. or Natl.</i>	National	<i>Sunds.</i>	Sundries
<i>No. Nos.</i>	Number; Numbers	<i>Treas.</i>	Treasurer
<i>Oz.</i>	Ounces	<i>Trans.</i>	Transportation
<i>P. or p.</i>	Page; Penny; Pint	<i>Vice Pres. or V. P.</i>	Vice President
<i>Paymt. or paymt.</i>	Payment	<i>W. B.</i>	Way Bill
<i>Pcs.</i>	Pieces	<i>Wt. or wt.</i>	Weight
<i>Pd.</i>	Paid	<i>Y. or yr.</i>	Year
<i>Per an. or per an.</i>	By the year (per annum)	<i>Yd. or yd.</i>	Yard
<i>Per cent. or per cent.</i>	{ By the hundred (per centum)		

## GLOSSARY

- Acceptance**—A draft or bill of exchange which the drawee has signified his willingness to honor; also acquiescence of one in the offer of another.
- Accommodation Paper**—Notes issued or drafts accepted for the purpose of enabling another to raise funds, it being understood that the person accommodated will pay the obligation when due.
- Accountant**—One skilled in science of accounts.
- Account Current**—An open or active account; a statement thereof rendered to the debtor.
- Account Sales**—A statement of the sums realized on the sale of a consignment and showing the deductions made for the expenses and commission incident thereto.
- Actuary**—One engaged in the compiling of insurance statistics.
- Agio**—Premium or discount on the face value, as on one sort of money when given in exchange for an inferior sort.
- Annuity**—Yearly payment.
- Appraisement**—Placing a valuation on goods.
- Arbitration**—Decision of a dispute by a referee or a board of individuals appointed for that purpose, generally by the parties to the dispute.
- Attorney**—One authorized by law to give legal advice to another, called the client, and prosecute and defend law suits.
- Auditor**—One who examines into the accuracy of accounts.
- Balance of Trade**—The difference between imports and exports of merchandise.
- Bank Draft**—A draft drawn by one bank on another, and generally used in making remittances to distant places.
- Bank of England**—A banking institution founded in London in 1694 as a result of the financial embarrassment of the government; now the greatest financial institution in the world.
- Bank of North America**—The oldest bank in the United States, founded by Robert Morris in 1782.
- Bankrupt**—A person who has been judicially declared unable to meet his obligations.
- Barter**—The exchange of commodities without the use of money.
- Bear**—A broker who has sold more of a commodity than he has on hand, expecting to buy the same before being obliged to make delivery under his contracts of sale. He is interested in having the market prices decline so that he may buy below his selling price.
- Beneficiary**—One who receives a gift, benefit or advantage, such as from a trust fund or a state or insurance policy.
- Bill of Credit**—Bills of credit were issues of pure fiat money made by order of Congress during the Revolutionary period of our history, upon no assets, having only the faith of the people in the government to support them.
- Bill of Lading**—A carrier's receipt for goods received for shipment, and containing a contract to deliver the goods at destination; *quasi* negotiable.
- Bill of Sale**—A formally written transfer of the ownership of personal property.
- Bimetallism**—The use of two metals (as gold and silver) in the currency of a country at the relative value fixed by law.
- Board of Underwriters**—An association composed of representatives, managers, or agents of insurance companies doing business within the state in which the association has jurisdiction. Its principal function is rate making for the companies included in its jurisdiction.
- Bona Fide**—In good faith.
- Bonded Warehouse**—One designed especially for the storage of imported goods awaiting payment of duties by the importer; so called because importers must furnish bonds with sufficient surety for the payment of the duties.
- Boycott**—To combine for the purpose of abstaining from or preventing business relations with.
- Brokerage**—The charge made by a broker for his services.

- Budget**—An annual financial statement which the British chancellor of the exchequer makes in the House of Commons; in a general sense any annual financial statement or scheme of taxation and appropriation.
- Bull**—Term applied to a broker who has more of a commodity, stocks or bonds on hand than he requires to fill his contracts of sale, he is therefore interested in raising prices so that he may sell at a profit.
- By-Laws**—Regulations and rules made by the directors for the internal government of a corporation.
- By-Product**—A secondary product, such as shale in coal mining.
- Call**—A broker's right to demand or call for a specified amount of stock at an agreed price within a certain fixed time.
- Call Loan**—Money borrowed and repayable when lender exercises his option to call for it.
- Capital Stock**—An amount, as estimated by the incorporators, required for the purpose of the business of a corporation.
- Charter**—A document issued by the state, by which a corporation is created, or franchise conferred.
- Chattel Mortgage**—An incumbrance of personal property as security for a debt.
- Circulation**—The notes issued by a national or state bank.
- Clearing House**—An establishment or association of banks to facilitate the settling of balances between them by the exchange of checks, drafts, etc., drawn on one another.
- Collaterals**—Securities, generally stocks and bonds, put up to insure the payment of a debt.
- Common Carrier**—Any person, firm or corporation which holds itself out to carry goods or persons of the public generally, without preference or discrimination.
- Common Stock**—The ordinary stock of a corporation issued without any special agreement as to the payment of dividends.
- Comptroller**—A public officer whose duty it is to examine and certify accounts.
- Consignment**—A shipment of goods, generally intended to be sold on commission.
- Consolidation**—A merger or uniting of two or more interests. The consolidation of corporations is generally provided for by state laws.
- Consul**—A commercial agent of one country stationed at a port in some other country.
- Contract**—An agreement between two or more persons to do or not to do some particular thing.
- Cooperage**—A charge for the manufacture or mending of barrels, hogsheads, casks, etc.
- Copyright**—The right of an inventor or his assignee, to print and publish his literary or artistic work, exclusive of all other persons.
- Corporation**—An association of individuals existing under authority from the state, and authorized by law to do business as a single individual under a certain name.
- Credit Association**—A combination of a number of firms and dealers for mutual protection against losses, particularly to prevent bad debts.
- Debenture**—An unsecured bond.
- Defalcation**—An abstraction of trust money by an officer or agent.
- Defaulter**—One who appropriates the funds of another to his own use.
- Depreciation**—Lessening of value through wear and tear.
- Devise**—A bequest of real property by will.
- Dividend**—A portion of the profits set aside for distribution among the shareholders.
- Documentary Bill**—When merchandise is shipped, bills of exchange are drawn on the consignee, the bill of lading being attached to the draft—these papers being designated a documentary bill.
- Due Bill**—A written acknowledgment of a debt; an I. O. U.
- Earnest Money**—A sum paid to bind a bargain.
- Endorsement**—That which is written on the back of a note or other paper, generally for the purpose of transferring the title thereto or strengthening the credit of the maker or acceptor.
- Endowment Policy**—Form of insurance which provides that the face of the policy shall be payable to the insured at the end of a certain period if he survives, or to the beneficiary therein named if the insured die within the period.
- Equation**—An averaging of the items of an account in such a way that no interest will be lost to either party.
- Exchange**—The giving or taking of one thing in return for another. A process of settling accounts or debts between dis-

- tant parties without the use of money, by means of bills of exchange (often abbreviated *exchange*). The place of transacting business (often contracted to *Change*).
- Exemption Laws**—Legislation which exempts certain real property (called the homestead) from liability of attachment or execution by creditors. Certain personal property is also exempted, and in most cases wages where the debtor is the head of the family. In Illinois the homestead exemption is \$1000; personal property for married persons \$400, for single persons \$100; wages \$15.00 per week.
- Facsimile**—An exact reproduction.
- Fail**—To become bankrupt or insolvent.
- Fiat**—An authoritative command or a decree.
- Fiat Money**—Irredeemable paper currency.
- Finance**—The science of handling money and receiving and expending public revenue.
- Fiscal**—Pertaining to the public treasury.
- Foreclosure**—A legal proceeding for the sale of incumbered property for the purpose of satisfying the incumbrance out of the proceeds.
- Full Stock**—Stock with a face value of \$100 per share.
- Gold Reserve**—A fund of \$150,000,000 set aside in the United States Treasury for the redemption of greenbacks.
- Good Will**—The trade or reputation established by a business for fair dealing, or the probability that the customers will return to the old stand.
- Greenback**—One of the legal tender notes of the United States, the design on the back being printed with green ink.
- Gresham's Law**—A law of values announced by Sir Thomas Gresham several centuries ago, to the effect that the cheaper money always drives the dearer money out of circulation, people preferring to pay their debts with the cheapest money which their creditors can be induced or legally compelled to accept.
- Gross**—Without deduction, such as *gross weight*, *gross cost*. Twelve dozen.
- Half Stock**—Stock at a par value of \$50.00 per share.
- Hazardous**—Exposed to hazard or danger; attended with risk.
- Honor**—To acknowledge by payment or acceptance.
- Hypothecation**—A pledge of securities such as stocks and bonds.
- Income**—Revenue from labor, business, property or capital.
- Indenture**—A mutual agreement in writing between two or more parties whereof each has usually a counterpart or duplicate. They were originally notched or indented so as to correspond to each other.
- Industrial Insurance**—A class of insurance issued on persons of all ages from one to seventy years and in small amounts to persons of limited means.
- Industrials**—Stocks of manufacturing companies.
- Interstate Commerce Law**—An act of Congress passed in 1887 designed to regulate commerce between the states. It applies to common carriers by land or water who do business in two or more states or territories and provides against discrimination between large or small, constant or occasional shippers, and that no charges should be unjust or unreasonable.
- Intestate**—One who dies without leaving a will.
- Interim Dividends**—A division of profits before the regular annual or semi-annual dividend is declared.
- Intrinsic Value**—Real or inner worth as distinguished from face or apparent value.
- Inventory**—A list of goods on hand.
- I. O. U.**—I owe you. The acknowledgment of a debt.
- Judgment Note**—A note containing a clause authorizing any attorney of record to confess judgment against the maker of the note if default is made in payment.
- Jobber**—One who buys from wholesalers and sells to retailers.
- Kiting**—The incurring of a fresh obligation to discharge an old one, as by exchanging checks with a confederate.
- Lease**—A letting of lands or buildings to another for a term of years, usually for a specified rent or compensation.
- Leasehold**—Tenure by lease; land held as personalty under a lease for years.
- Legacy**—A bequest of money or personal property by will.
- Level Premium**—Uniform payments of premium on a life insurance policy.
- Liquidate**—To determine by agreement or by litigation the amount of an indebtedness; to pay off.
- Liquid Assets**—Assets in cash or readily convertible into cash. Listed securities, stocks or bonds included in the list of

- those admitted to dealing at the exchange
- Liquidation**—To assign to a trustee one's assets and accounts, so as to settle one's liabilities.
- Loading**—A term used to denote additions to the basis rate of insurance on account of location or other special conditions.
- Long**—A term applied to a broker who has more of a given commodity on hand than he requires to fill his contracts.
- Maceration**—The grinding of old worn paper money into pulp.
- Mail Order**—An order for goods received by mail.
- Manipulate**—To control or manage; also, to manage artfully or fraudulently.
- Margin**—Collateral security or money deposited with a broker to secure him from loss on contracts entered into by him on the behalf of his principal.
- Mercantile**—Pertaining to the business of merchants.
- Mileage**—Distance travelled. The number of miles in a railroad.
- Mint**—A place where money is coined.
- Minutes**—A record of the proceedings of a meeting recorded in a book called a minute book.
- Monetary**—Pertaining to money.
- Monometallism**—The legalized use of one metal only in the standard currency of a country, or as a standard of value.
- Monopoly**—Exclusive control.
- Mortgage**—A pledge of property, real or personal, as security for a debt.
- Mortgage**—A formal transfer of property as security for a debt.
- Municipal**—Pertaining to a city or corporation having the right of administering local government.
- Municipality**—A city or incorporated town or village.
- Negotiate**—To treat with another in a matter of business. To sell or transfer commercial paper.
- Net**—Clear of all expenses, as net earnings; without discount or deduction, as a price.
- Net Proceeds**—Proceeds after making all deductions.
- New York Standard Policy**—A form of fire insurance policy prescribed by the legislature of New York and adopted by a large number of states as the legal policy.
- Non Cumulative Stock**—Stock on which passed dividends must be made good.
- Notary Public**—An officer authorized to take acknowledgments, administer oaths, protest paper, etc.
- Old Lady of Threadneedle Street**—The Bank of England.
- Open Policy**—An insurance policy covering a fluctuating stock of goods.
- Outlawed**—Barred by the statutes of limitations, as an outlawed debt.
- Over Draft**—A balance at the bank against the depositor because his checks exceed his funds on deposit there.
- Par**—Face value, 100%.
- Parent Company**—A company from which other companies derive an authority or upon which they are dependent.
- Parol**—Oral or written, but not under seal; as parol contracts.
- Pass Book**—A book kept by one who has money on deposit in the bank and showing the deposits made by him, and in case of a savings account also the withdrawals and the balance.
- Patent**—The right granted by a government to the exclusive control of an invention or of the sale of certain articles.
- Pecuniary**—Relating to money.
- Petty**—Little or small, as *Petty Cash*, *Petty Expenses*.
- Pledge**—Transfer of the possession of personal property as security for the payment of a debt.
- Policy**—Prudence or wisdom; as *business policy*. An insurance contract to pay a certain sum as an indemnity.
- Post-dated**—Bearing a future date.
- Power of Attorney**—A formal instrument conferring authority upon an agent.
- Preferred Stock**—Shares which have a definite rate of dividend guaranteed upon them.
- Proposition**—An offer made by one person to another, oral or written.
- Pro-rata**—At a proportionate rate.
- Protest**—A formal statement of a notary of the non-payment of a note or draft at maturity.
- Proxy**—A person authorized to represent another, particularly at directors' and stock holders' meetings. The authority itself.
- Put**—The right a broker has under his contract to make delivery to another of a specified amount of stock at an agreed price within a certain time.
- Quarter Stock**—Stock at a par of \$25 per share.



**Quick Assets**—Property readily convertible into cash.

**Receiver**—A trust appointed by the court to receive and hold property in litigation, pending the suit; a person appointed to take charge of the property in the interest of creditors.

**Receiver's Certificates**—Evidences of indebtedness issued by a receiver for the purpose of raising money to operate the property in his charge, the holders of such certificates having a first lien on the assets in his hands.

**Redemption Fund**—A sum set aside at regular intervals in order to meet a future liability.

**Refunding**—The process of putting out a new issue of bonds to replace an old one.

**Registered Bond**—A bond recorded in the owner's name.

**Registered Coupon Bond**—Bond with interest coupons attached payable to bearer, but itself payable only to the owner.

**Registrar**—A keeper of the records of transfers of securities, verifying the signatures of transfers.

**Reimburse**—To repay the amount of expenditure made by one person in behalf of another.

**Release**—To relinquish a claim.

**Remittance**—The act of sending. The money sent.

**Reorganization**—Compulsory financial reconstruction.

**Rest**—A surplus or reserve. The term is also specifically applied to the surplus fund of the bank of England.

**Salary**—Compensation for services generally not of a manual character.

**Sale**—The transfer of a commodity for a money consideration.

**Salvage**—The compensation allowed to a person assisting in saving the ship or her cargo from peril. That part of the property that is saved from peril.

**Scrip**—A certificate for a fractional share of stock, exchangeable for shares when presented in sufficient quantities.

**Securities**—Stocks or bonds of corporations either public or private; also real estate mortgages.

**Securities Company**—A company owning the securities of other companies and depending for its income upon the income derived from such securities.

**Seigniorage**—A charge or toll deducted from bullion, brought to a mint to be

coined; the difference between the cost of a mass of bullion and the value as money of the pieces coined from it.

**Sellers' Option**—A put.

**Serial Bonds**—Bonds redeemable in specified installments.

**Set Off**—Counter claim.

**Short**—A term applied to a broker contracted to sell more of a commodity than he has on hand, expecting to purchase same before delivery day.

**Single-named Paper**—Unendorsed paper.

**Slow Assets**—Property not to be quickly turned into cash.

**Specially**—A written contract under seal.

**Spot Cash**—Cash remitted at once.

**Statute of Frauds**—A law enacted by Parliament in 1677 requiring certain contracts to be in writing and re-enacted by most of the states of the Union.

**Stock**—Shares in a corporation; also merchandise.

**Subsidiary Company**—A company the stock of which is owned or controlled by another company.

**Subsidy**—The gift of a sum of money either annual or otherwise, by the government as an aid and encouragement to the extension and upbuilding of marine interests.

**Surety**—One who agrees to answer for the debt or default of another.

**Surplus**—Profits reserved from distribution in order to lend financial strength to the company, or to enable it to declare uniform dividends from time to time.

**Syndicate**—A number of capitalists united to finance and carry out some plan or scheme.

**Teller**—One who counts money, especially at a bank. The receiving teller receives the money; the paying teller disburses it.

**Ticker**—A small telegraphic instrument through which runs a narrow paper tape on which the instrument prints automatically the names and prices of stocks and bonds in an abbreviated form.

**Tickler**—A record of notes and debts according to maturity, so as to remind one when they fall due.

**Transfer Agent**—An officer authorized to transfer a company's stock.

**Treasury Stock**—Shares reserved in the hands of the treasurer of a corporation to be sold or given away in the future as occasion may require for the promotion of the business.

**Trust**—To place confidence in or rely on, or to give credit to; also applied to a combination of the capital of several corporations under one management for the purpose of reducing the cost of production, limiting the output, and controlling the cost of the article to the consumer.

**Underlying Mortgage**—A prior mortgage.

**Underwriter**—One who underwrites an insurance policy especially a marine policy; also applied to banks and trust companies who contract to sell stocks or bonds for corporations, taking themselves such as they do not dispose of by a given time.

**Undivided Profits**—Profits earned but not set aside to stockholders in the form of dividends.

**Usury**—An exaction of an illegal rate of interest.

**Voucher**—A book, paper or document serving to vouch the truth of accounts, or to confirm or establish any fact.

**Wages**—Compensation for labor.

**War Chest**—(Kriegskasse) a store or large reserve of gold kept on hand by the German government as an emergency fund to be used in time of war.

**Watered Stock**—Shares issued in excess of a corporation's assets but within the authorized capital.

**Will**—A final disposition of a person's property, not to take effect till the time of his death. An addition or supplement to a will is called a *codicil*.

**Window Dressing**—The art of displaying goods in the show windows of merchants for the purpose of attracting trade.

**Working Capital**—Money necessary for operating a business.

**World's Clearing House**—A name given to London because it is practically the center of exchanges of the world, the Bank of England being the greatest financial institution in the world.

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